

SECURITY • DEMOCRACY • PROSPERITY

2003



## UNITED STATES DEPARTMENT OF STATE

PERFORMANCE AND  
ACCOUNTABILITY HIGHLIGHTS  
FISCAL YEAR 2003

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# UNITED STATES DEPARTMENT OF STATE

## MISSION & VALUES

### MISSION

**Create a more secure, democratic, and prosperous world  
for the benefit of the American people and the  
international community.**

### VALUES

**Loyalty:** Commitment to the United States and the American people.

**Character:** Maintenance of high ethical standards and integrity.

**Service:** Excellence in the formulation of policy and management practices with room for creative dissent. Implementation of policy and management practices, regardless of personal views.

**Accountability:** Responsibility for achieving United States foreign policy goals while meeting the highest performance standards.

**Community:** Dedication to teamwork, professionalism, and the customer perspective.

MESSAGE FROM THE SECRETARY



I am pleased to present the Department of State's *Performance and Accountability Report for Fiscal Year 2003*. The report presents our audited financial statements and measures our performance against the major objectives we set for our agency.

The Department of State's mission is to help President Bush shape a world of greater security, freedom and prosperity for America's sake and for the sake of people all around the globe who seek a better future for themselves and their children.

The men and women of American diplomacy are playing an instrumental role in marshaling and advancing international support for the worldwide campaign against terrorism. We serve at the forefront of the international reconstruction efforts in Afghanistan and Iraq. We are working to strengthen our alliances and partnerships in Europe, Asia and the Western Hemisphere to meet 21st century security challenges. With faithful friends and former foes alike we are working to stem the proliferation of weapons of mass destruction and bring an end to conflicts.

Our embassies and consulates assist U.S. citizens abroad who are victims of serious crime and during times of instability. We are helping to build up the law enforcement capabilities of foreign governments to stop drug-traffickers and other criminals before their poison reaches American soil. We are protecting our homeland by strengthening the process for identifying suspected terrorists and preventing them from obtaining visas to enter the United States.

We promote respect for human rights and the growth of democracy in every region. American diplomacy is forging partnerships with citizens' groups, the private sector and governments all around the world to turn the tide of HIV/AIDS. Through our public diplomacy, we are reaching out to foreign audiences to better acquaint them with our country and counter anti-Americanism by establishing a foundation of information and understanding. And we are advancing a new international consensus on how to help poor countries onto the path of development through good governance, sound economic, trade and environmental policies, and wise investments in their people.

In conducting our vital mission, we have been effective and accountable stewards of the taxpayers' money. For the seventh year in a row, independent auditors have given our financial statements an unqualified ("clean") opinion. I am also proud to certify that for the second year in a row, the Department's management control systems meet the requirements of the Federal Managers' Financial Integrity Act (FMFIA). For financial systems, the Department of State's one remaining material nonconformance was closed in Fiscal Year 2003 and I am pleased to report that the Department's financial systems are in substantial compliance with the requirements of FMFIA. We have made every effort to verify the accuracy and ensure the completeness of the financial and performance data presented in this report. In the few instances where information has not been provided, we give specific reasons why.

With the support of President Bush and broad bipartisan backing from Congress, the Department of State has made significant progress building capacity in three fundamental areas: human resources, information technology, and embassy construction and security. We must keep the focus on these key areas in the demanding years ahead, so that the dedicated men and women of the State Department have the training, tools and infrastructure they need to serve our country safely and successfully across the globe on the frontlines of freedom.

Colin L. Powell  
Secretary of State



## MESSAGE FROM THE ASSISTANT SECRETARY AND CHIEF FINANCIAL OFFICER

The *Performance and Accountability Report for Fiscal Year 2003* (Report) provides our most important financial and program performance information for the United States Department of State. It also is our principal publication and report to the President and the American people on our stewardship, management, and leadership of the public funds to which we have been entrusted.

It has been an exceptional year. For the seventh consecutive year, the independent CPA firm selected by our Inspector General, has issued an unqualified ("clean") opinion on the Department's consolidated financial statements. This is the best possible audit result. With it the American people can have confidence that the financial statement information presented here is both accurate and reliable. Along with this opinion, the Department achieved a number of other key goals.

- For the first time since the inception of the Chief Financial Officers (CFO) Act, the independent CPA firm has reported no material weakness in internal control;
- Also for the first time, the Secretary has been able to issue an unqualified Statement of Assurance under the Federal Managers' Financial Integrity Act (FMFIA) on both the Department's management controls and its financial systems;
- For financial systems, the Department successfully replaced two obsolete financial systems with the new Regional Financial Management System (RFMS) implemented at all overseas posts. RFMS provides the Department the ability to know the worldwide status of accounts on a timely basis, something never before possible. In addition, the Department's one remaining material nonconformance under FMFIA was closed in 2003 and the independent CPA firm has reduced the previously reported material weakness in information systems security to a reportable condition for FY 2003. After assessing the audit results as of September 30, 2003, and in consideration of the foregoing developments and additional improvements to our financial systems in the first quarter of FY 2004, we believe that the Department's financial management systems substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). The Department will continue its ongoing effort to enhance its financial systems in FY 2004 and beyond;
- Recognizing the quality of our reporting, for the second year in a row, the Department received the most prestigious award in Federal government financial reporting, the Association of Government Accountants' Certificate of Excellence in Accountability Reporting, one of only three cabinet-level departments to win this award in 2003;
- As part of the commitment to the very best financial operations, the Department has been consolidating and streamlining financial operations worldwide. In 2003, we successfully relocated operations from the Paris Financial Service Center (FSC) to the new Charleston, South Carolina FSC and Bangkok, Thailand FSC, and finalized plans for relocating work to Charleston from our Washington, D.C. operations; and
- With USAID, the Department developed the first-ever joint State-USAID Strategic Plan that will ensure better alignment between foreign policy and development assistance, and to further improve operations, is implementing with USAID a common worldwide financial systems platform.



For the past three years, President Bush has led the effort on management reform through his President's Management Agenda initiatives. Two of these are Improved Financial Performance, and Budget and Performance Integration. In support of this strategy, the Department will continue integrating budgeting and planning into all aspects of our stewardship, and provide timely and accurate financial and performance information that facilitates foreign policy decision-making.

While there are no material weaknesses or nonconformances reported under FMFIA, the Department continues to maintain a robust system of management controls overseen by senior leadership. The Department's Management Control Steering Committee (MCSC) meets regularly to review pending concerns raised by the Inspector General, the independent CPA firm, GAO and others.

In addition to financial performance, this Report also covers policy and program performance — how well the Department implemented the foreign policy goals of the President and Secretary of State. The reader can see our nation's foreign policy strategic goals, along with performance measures, performance trends, and results achieved. From the very first strategic objective, "Achieve Peace and Security," to "Strengthen Diplomatic and Program Capabilities," we present to the American people a transparent assessment of results for the prior fiscal year. Encompassing the war on terror, the struggle to end regional conflicts, to programs on the rule of law, and the fight against HIV/AIDs and other diseases, the Performance Section of this Report describes our work. It also shows our effort to fulfill the Department's mission, "to create a more secure, democratic, and prosperous world, for the benefit of the American people and the international community."

Christopher B. Burnham  
Assistant Secretary for Resource Management and Chief Financial Officer  
December 31, 2003



## MISSION AND ORGANIZATION

American diplomacy in the 21st century is based on fundamental beliefs: our freedom is best protected by ensuring that others are free; our prosperity depends on the prosperity of others; and our security relies on a global effort to secure the rights of all. The history of the American people is the chronicle of our efforts to live up to our ideals. In this moment in history, we recognize that the United States has an immense responsibility to use its power constructively to advance security, democracy, and prosperity around the globe.

Diplomacy is an instrument of power. It is essential for maintaining effective and international relationships, and a principal means by which the United States defends its interests, responds to crises and achieves its foreign policy goals. The Department of State is the lead institution for the conduct of American diplomacy; its mission is based on the Secretary of State's role as the President's principal foreign policy advisor.



## OUR ORGANIZATION

Established in 1789 to advise the President on formulating and conducting foreign relations, the Department is the oldest and most senior cabinet agency. The Secretary of State heads the Department and serves as the President's principal advisor on the conduct of foreign relations. The Deputy Secretary and six Under Secretaries aid the Secretary of State, serving as the Department's board of directors on foreign policy (Appendix A). Each specializes in one of the following areas: political affairs; economic, business and agricultural affairs; arms control and international security; global affairs; public diplomacy and public affairs; and management.

### Organizational Structure in Washington, DC

At its headquarters in Washington, D.C., the Department's mission is carried out through six regional bureaus, each of which are responsible for a specific geographic region of the world. The regional bureaus and the overseas posts are supported by functional bureaus and management bureaus which provide policy guidance, program management and administrative expertise in matters such as economics, intelligence, human rights, counterterrorism, humanitarian assistance, and consular services.

### Organizational Structure at Embassies

In each Embassy, the Chief of Mission (usually an Ambassador) is responsible for executing U.S. foreign policy goals and coordinating and managing all U.S. Government functions in the host country. The President appoints each Ambassador, whom the Senate confirms. Chiefs of Mission report directly to the President through the Secretary. The Diplomatic Mission is also the primary U.S. Government contact for Americans overseas and foreign nationals of the host country. The Mission serves the needs of Americans traveling and working abroad, and supports Presidential and Congressional delegations visiting the country. The Department operates more than 260 embassies, consulates and other posts worldwide.

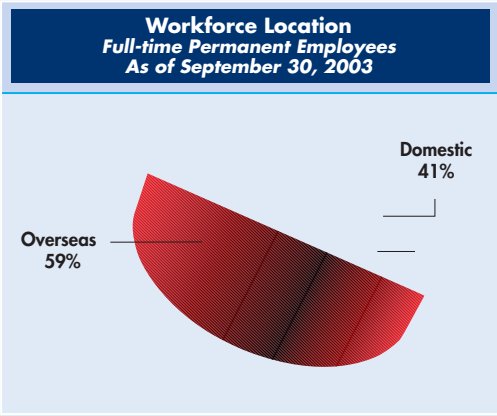
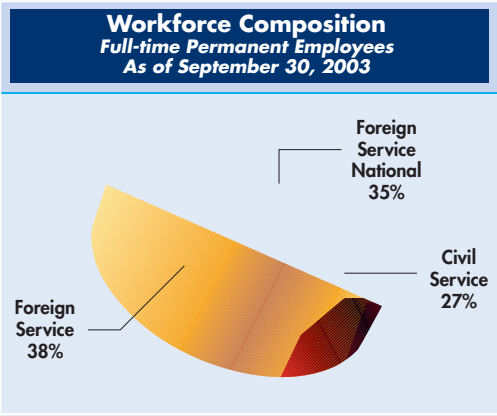


Other Key Locations and Offices

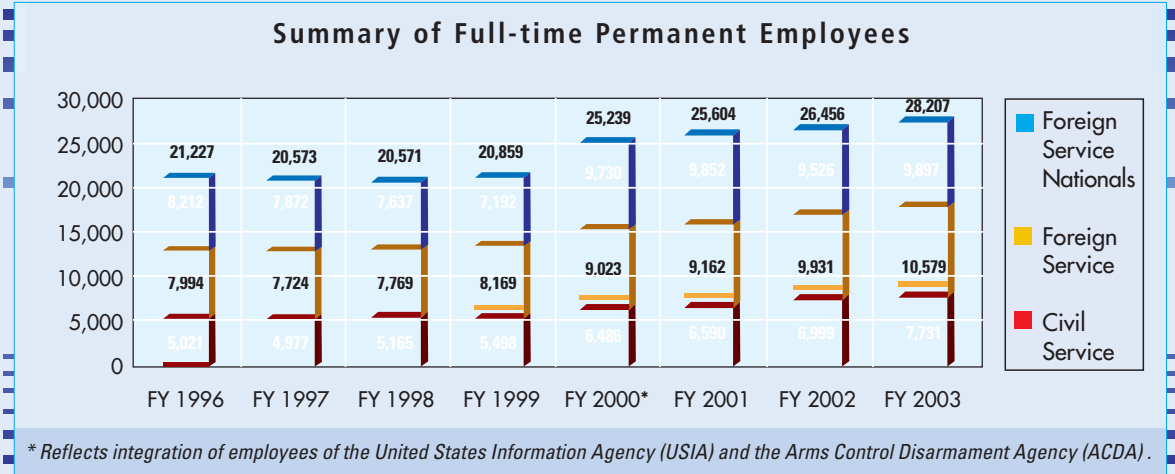
The Department also operates national passport centers in Portsmouth, New Hampshire and Charleston, South Carolina; national visa centers in Portsmouth, New Hampshire and Williamsburg, Kentucky; two foreign press centers; one reception center; 13 passport agencies; five offices that provide logistics support for overseas operations; 22 security offices; and two financial service centers.

OUR PEOPLE

The Department’s workforce consists of more than 28,000 employees in the Civil Service and Foreign Service, and Foreign Service Nationals in the 162 countries where the United States is represented. The pie charts below show the distribution of the workforce among these three categories and show what proportion of the workforce is located overseas.



Since FY 1996, the total number of employees at the Department has increased by 33% with the greatest increase manifested in the Department’s civil service staff which has increased by 54%. Over the past year, the increases in staff reflect the Department’s increased emphasis in the areas of security, public diplomacy and counterterrorism.



WHERE WE ARE LOCATED

As shown in Appendix A, the Department’s embassies, consulates, and passport/visa centers are located throughout the world in support of America’s foreign policy goals and to assist Americans traveling abroad.





PERFORMANCE SUMMARY AND HIGHLIGHTS

KEY FOREIGN POLICY ACHIEVEMENTS

**"***The national interest of America involves more than eliminating aggressive threats to our safety. We also stand for the values that defeat violence, and the hope that overcomes hatred. We find our greatest security in the advance of human freedom."*

*President Bush  
U.S. Coast Guard Academy, New London, Connecticut  
May 21, 2003*

**D**uring FY 2003 the Department of State has made substantial progress in advancing the nation’s foreign policy agenda as set forth in the National Security Strategy. The Department’s work includes shaping the USG’s response to immediate and urgent international security concerns such as the war on terrorism, curtailing the spread of weapons of mass destruction, defusing regional conflicts, and managing ongoing operations in Afghanistan and Iraq. In addition, the Department has implemented policies and programs that will bring long-term improvements in the security environment for all Americans while championing human dignity, democracy, and economic prosperity throughout the world.

In 2003, the United States faced immediate challenges in the Middle East, South Asia and East Asia. With the downfall of Saddam Hussein’s regime, the United States embarked on a historic mission to transform Iraq into a prosperous, stable and peaceful democracy. We have created the Middle East Partnership Initiative (MEPI) to support democratic, economic and educational reform efforts throughout the entire region. The Department worked to implement the President’s vision of peace between Israel and the Palestinian people as outlined in a performance-based roadmap to a negotiated Israeli-Palestinian settlement. The result of this shift has been significant and beneficial pressure to reform the Palestinian Authority.

In South Asia, the Department has shaped ongoing operations in Afghanistan, including helping to build a new system of governance and contributing to reconstruction projects. We have worked to promote cooperation with India, a state with the potential to become one of the great democratic powers of the twenty-first century. Innovations in the US-India relationship include our ongoing discussion about how best to improve ties in the high-tech, civilian nuclear, and space sectors. With regard to Pakistan, the US undertook a long-term commitment to the people of Pakistan centered around a proposed five-year, \$3 billion assistance package to help build a stable and democratic Pakistan.

In East Asia, the Department worked to deepen its ties with China and strengthen its alliance with Japan. The creation of Six Party Talks to deal with the North Korean nuclear problem has brought together all six states of Northeast Asia in an effort to peacefully end North Korea’s program; it reflects the growing partnership between the United States, its allies, China and Russia. This innovative approach may have implications for future relations among the nations of this region. We continue to work closely with the nations of Southeast Asia to support regional efforts to strengthen democratic rule, increase economic development and combat terrorism. As examples, the years 2003-2004 will see an unprecedented number of elections for new governments within the region.





In Europe, we have accelerated the Balkan's integration into Euro-Atlantic institutions. We have supported expanding NATO's membership and accelerated its transformation by expanding NATO's operations to Afghanistan and Iraq. We have broadened our cooperation with the European Union, including advancing the Global War on Terrorism. Through the Freedom Support Act, we have promoted economic reform throughout the former Soviet Union and seen significant economic improvement throughout many countries in the region. We also continue to drive home the importance of democratization and human rights in the region and have supported numerous non-governmental organizations in this area.

The Department has strongly supported several peace processes in African states where the parties have demonstrated a willingness to reach a final conclusion, particularly in Sudan. We have played a major role in helping to bring peace and stability to Liberia and in supporting the efforts of the regional leaders to find a lasting solution to the conflict in Burundi.

The Department continues to support efforts to advance economic development and democracy promotion in Latin America. We also continue to cooperate with countries in the region against narco-terrorism, in particular in implementing its security assistance program for Colombia. In the past year, the Department initiated programs aimed at developing agendas for cooperative action with the other main centers of global power. At the United Nations, the Department successfully achieved unanimous endorsement of the Administration's broad approach to Iraq with passage of UNSC Resolution 1511.

To increase efforts to curb the proliferation of WMD, the Department has implemented the President's Proliferation Strategy Initiative (PSI) to interdict WMD activities. The United States and ten other countries agreed to and published a "Statement of Interdiction Principles" and more than 50 additional countries have indicated their support for the PSI. Following successful at-sea exercises conducted in the Coral Sea and the Mediterranean this year, the Department has scheduled a series of intrerdiction training exercises.

The Department has worked in the past year to implement the President's HIV/AIDS and Millennium Challenge Account (MCA) initiatives, both of which will help develop the capacity of lesser developed countries to address poverty and disease. The Department has also undertaken important steps to combat trafficking in persons. Congress approved the Free Trade Agreements (FTAs) with Chile and Singapore, which were negotiated by the Administration with help from State Department bureaus. FTA negotiations were launched with five Southern African Customs Union (SACU) countries (Botswana, Lesotho, Namibia, South Africa and Swaziland) as well as with the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua (CAFTA).



*U.S. President George W. Bush addresses the United Nations General Assembly at the UN Headquarters in New York City. © AP Photo/Jason Szen*



## PERFORMANCE MANAGEMENT - A LEADERSHIP PRIORITY

The Department uses strategic and performance planning to ensure the organization achieves its objectives and goals, and is committed to utilizing the funds it receives from the American people through the Congress to produce successful results. Under the strong leadership of the Secretary and Deputy Secretary, the Department also has implemented organizational innovations. For the first time, the State Department and USAID have developed and issued a joint Strategic Plan that governs the planning efforts for both agencies for fiscal years 2004-2009. This historic new Strategic Plan utilizes a revised strategic goal framework that better captures and articulates the Department's high priority goals and objectives, shortening the number of goals to better focus policy and management direction. Guided by the new Strategic Plan, the planning and resource allocation process receives the personal attention of the Deputy Secretary on an ongoing basis as he personally leads senior level Policy, Performance and Resource Reviews of all bureau performance and resource plans. Another significant organizational improvement has been the creation of joint State/USAID policy and management councils as recommended in the Strategic Plan. The Secretary's leadership in establishing these councils is ensuring the alignment of foreign policy and development assistance, and is improving the necessary management and organizational coordination and collaboration between the two agencies.

The Department's ongoing performance management process is driven by senior leadership direction and coordination. Each year, the Department's diplomatic missions and Washington-based bureaus submit Mission Performance Plans (MPPs) and Bureau Performance Plans (BPPs)

respectively that describe their policy and program goals, priorities and resource requirements, and evaluate

performance. During the past year, the Department has improved the MPPs and BPPs, and fully automated the process. Missions, bureaus and senior officials

now have the benefit of software applications that better support decision-making. Based

on planning and performance information in the MPPs and BPPs, as well as additional budget information, the Department develops

its annual Performance Budget, which focuses on the highest priority issues and is consistent with the high-level Strategic Plan. The annual

Performance and Accountability Report demonstrates how well the Department performed in meeting the goals and targets described in the Performance Budget.

The graphic at right shows the relationship between the key components of the performance landscape.



The Department's planning documents available to the public can be found on the World Wide Web as follows:

- FY 2003 Performance and Accountability Report: <http://www.state.gov/m/rm/rls/perfrpt/>
- FY 2004-2009 State/USAID Strategic Plan: <http://www.state.gov/m/rm/rls/dosstrat/2004/>
- FY 2004 Performance Plan: <http://www.state.gov/m/rm/rls/perfplan/2004/>



HOW WE ASSESS PERFORMANCE

Six-Tiered Methodology

The Department is committed to utilizing the funds it receives from taxpayers through the Congress to produce successful results. To assess performance, the Department employs a *performance management methodology* depicted in the pyramid below. Each of the six components of the pyramid is defined below:

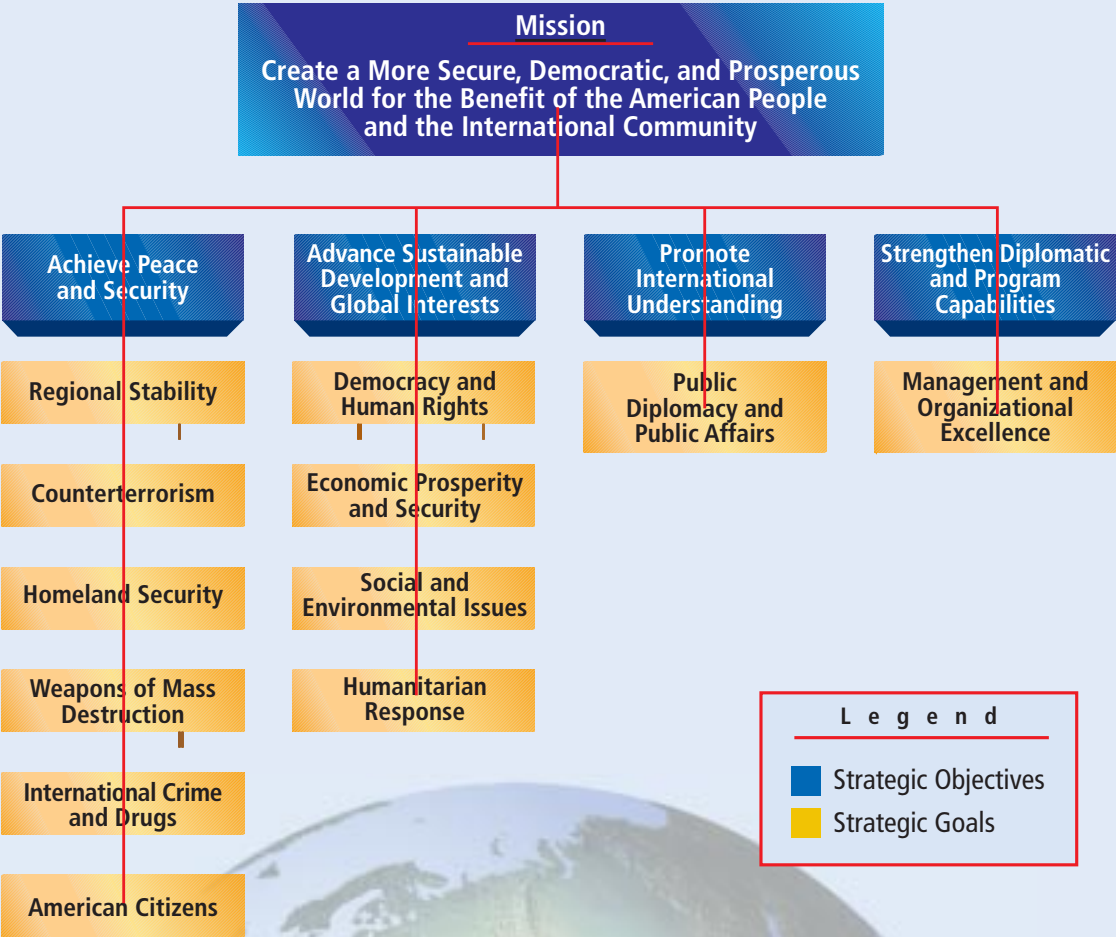
Strategic Objectives	High level, broad categories of action through which the Department will achieve its strategies and performance goals.
Strategic Goals	The Department’s long-term goals as detailed in the Strategic Plan.
Performance Goals	The desired outcomes the Department is planning to achieve in order to attain its strategic goals. The Department has thirty-eight performance goals.
Initiatives/Programs	Specific functional and/or policy areas, including programs as defined by the OMB Program Assessment Rating Tool (PART), to which the Department of State devotes significant attention.
Performance Indicators	Values or characteristics that the Department utilizes to measure progress achieved towards stated annual performance goals. The indicators are drawn from bureau and mission performance plans.
Performance Targets	Expressions of desired performance levels or specific desired results targeted for a given fiscal year. Achievement of targets defines success. Where possible, targets are expressed in quantifiable terms. The FY 2003 Performance and Accountability Report reports on how well the Department achieved its targets.



STRATEGIC PLANNING FRAMEWORK

Strategic Objectives and Strategic Goals

Within the parameters of the performance management methodology shown on the previous page, the Department focuses its work around twelve strategic goals that capture both the breadth of its mission and its specific responsibilities. The Department’s twelve strategic goals are centered around four core strategic objectives.





DEPARTMENT OF STATE STRATEGIC OBJECTIVES AND STRATEGIC GOALS

STRATEGIC OBJECTIVE #1 - Achieve Peace and Security -	
Strategic Goal Title	Strategic Goal Description
Regional Stability	Avert and resolve local and regional conflicts to preserve peace and minimize harm to the national interests of the United States.
Counterterrorism	Prevent attacks against the United States, our allies, and our friends, and strengthen alliances and international arrangements to defeat global terrorism.
Homeland Security	Protect the homeland by enhancing the security of our borders and infrastructure.
Weapons of Mass Destruction	Reduce the threat of weapons of mass destruction to the United States, our allies, and our friends.
International Crime and Drugs	Minimize the impact of international crime and illegal drugs on the United States and its citizens.
American Citizens	Assist American citizens to travel, conduct business, and live abroad securely.
STRATEGIC OBJECTIVE #2 - Advance Sustainable Development and Global Interests -	
Strategic Goal Title	Strategic Goal Description
Democracy and Human Rights	Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom.
Economic Prosperity and Security	Strengthen world economic growth, development, and stability, while expanding opportunities for U.S. businesses and ensuring economic security for the nation.
Social and Environmental Issues	Improve health, education, environment, and other conditions for the global population.
Humanitarian Response	Minimize the human costs of displacement, conflicts, and natural disasters.
STRATEGIC OBJECTIVE #3 - Promote International Understanding -	
Strategic Goal Title	Strategic Goal Description
Public Diplomacy and Public Affairs	Increase understanding for American values, policies, and initiatives to create a receptive international environment.
STRATEGIC OBJECTIVE #4 - Strengthen Diplomatic and Program Capabilities -	
Strategic Goal Title	Strategic Goal Description
Management and Organizational Excellence	Ensure a high quality workforce supported by modern and secure infrastructure and operational capabilities.



MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

During FY 2003, the Department responded on many levels to the many challenges the United States is facing. Highlights of the most important results and continuing challenges are shown below by strategic goal:

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES	
Results	Challenges
REGIONAL STABILITY	
<ul style="list-style-type: none"><li>◆ The U.S. led unprecedented international coalitions to remove terrorist regimes in Afghanistan and Iraq.</li><li>◆ Transformation of NATO through new capabilities, new members, and new relationships to meet the challenges of the 21st century.</li><li>◆ Participation by other countries in UN-sponsored and other international peacekeeping operations.</li><li>◆ China hosted and facilitated six-party talks between the U.S. and North Korea. China's ongoing efforts have been key to North Korea agreeing to future rounds of discussion.</li></ul>	<ul style="list-style-type: none"><li>◆ Facilitate reconstruction and establishment of a democratic political, social and economic system in Iraq.</li><li>◆ Pursue the Road Map solution to the Israeli-Palestinian problem.</li><li>◆ Improve the status of relations between Pakistan and India on Kashmir.</li></ul> <div></div>
COUNTERTERRORISM	
<ul style="list-style-type: none"><li>◆ The Top Officials (TOPOFF II) exercise, the first major exercise for the new Department of Homeland Security, was significantly enhanced over TOPOFF I (May 2000) by emphasizing the vital foreign policy implications of major domestic terrorist incidents.</li><li>◆ The Technical Support Working Group (TSWG) completed work on and fielded a number of products that substantially upgraded operational capabilities of the first responder communities throughout the U.S. as well as the security posture of USG departments and agencies.</li></ul>	<ul style="list-style-type: none"><li>◆ Further expand cooperative R&amp;D work with existing foreign partners (UK, Canada, Israel), and engage at least two additional foreign partners in programs of cooperative R&amp;D that benefit all nations and support US objectives in the Global War on Terrorism.</li><li>◆ Program expansion can only be accomplished with additional financial resources which can be used to leverage additional funding from our U.S. and foreign partners.</li></ul>
HOMELAND SECURITY	
<ul style="list-style-type: none"><li>◆ Signed a Memorandum of Understanding with the Department of Homeland Security setting the terms under which officers of the two Departments will work together in the granting or refusal of visas.</li><li>◆ Greatly increased the percentage of nonimmigrant visa applicants interviewed worldwide. New regulations implemented which limit waiver of personal appearance for nonimmigrant visa applicants to only a few categories of exceptions, such as diplomats, children, and the elderly.</li><li>◆ Mandated a special worldwide review of management controls in September 2002 and again in August 2003. This is now being made a required annual report for all consular sections.</li><li>◆ Changed the basic consular training course to strengthen material on fraud, malfeasance, ethics, and terrorism in addition to new material on interviewing techniques, accountability and management issues, and computer systems security. The time devoted to interviewing skills training in the Basic Consular Course has increased significantly, from the pre-9/11 6½ hours to 16 hours.</li><li>◆ Began collecting biometrics from non-immigrant visa applicants at San Salvador, Brussels, Frankfurt and Guatemala City.</li></ul>	<ul style="list-style-type: none"><li>◆ The USA Patriot Act requires that U.S. visas use biometric identifiers by October 26, 2004. The Department began phased implementation of biometric (fingerprint) collection in September 2003. All posts will be collecting biometrics by October 2004.</li><li>◆ Continue to expand datashare opportunities with federal agencies, maximizing the value of consular data to the USG while developing procedures to ensure proper use of this information.</li><li>◆ Continue working on a number of programs with Canada and Mexico as part of the U.S.-Canada Smart Border Action Plan (30 point plan) and U.S.-Mexico Border Partnership (22 point plan). As concerns the movement of people, we are working on agreements to share Advance Passenger Information/Passenger Name Records for airline passengers entering the U.S., Canada, or Mexico. We are also working with both these countries (NEXUS with Canada and SENTRI with Mexico) to expand frequent traveler programs to allow faster crossings for bona fide travelers.</li></ul>



MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results	Challenges
WEAPONS OF MASS DESTRUCTION	
<ul style="list-style-type: none"><li>◆ The Department has led the interagency effort to implement the Proliferation Security Initiative (PSI). The eleven PSI-participant nations have agreed to move rapidly on direct measures to impede trafficking in weapons of mass destruction, missiles and related items and have agreed on a set of principles that can guide interdiction efforts.</li><li>◆ Entry into force of the Moscow Treaty, and initiation of U.S.-Russian working groups to exchange information and foster transparency regarding offensive nuclear forces and missile defense.</li><li>◆ Significant recovery of the Organization for the Prohibition of Chemical Weapons from financial and administrative crises of previous years, giving strong hope that it will fully carry out its responsibilities for implementing the Chemical Weapons Convention.</li><li>◆ Impeded Iran’s nuclear weapons program by locking in international consensus that Iran’s clandestine nuclear activities are of great concern; Led the IAEA Board of Governors in September 2003 to adopt a resolution giving Iran an October 31 deadline to fully cooperate with IAEA investigations and answer all outstanding IAEA questions about its nuclear activities, as well as to sign and implement an Additional Protocol and to suspend enrichment related and reprocessing activity. Strengthened the international consensus against cooperation with Iran until all safeguards questions are resolved.</li></ul>	<ul style="list-style-type: none"><li>◆ Biological Weapons Convention (BWC) States Parties need to take actions to improve their legal structures and enforcement against biological weapons activities, and coordinate with other BWC States Parties in controlling the biological weapons threat.</li><li>◆ Agreement on a set of principles that can guide interdiction efforts.</li><li>◆ Meeting the IAEA Statute’s obligation to find Iran in noncompliance to the UN security council.</li><li>◆ Continuing to build international consensus that the suspension of Iran’s enrichment and reprocessing activities must transition into permanent abandonment of those activities.</li><li>◆ Maintaining intense IAEA and international scrutiny of Iran’s nuclear activities.</li><li>◆ Ensuring that Iran sees no “carrots” for ending its sensitive nuclear pursuits until cessation of such activities can be fully verified.</li></ul>



INTERNATIONAL CRIME AND DRUGS

<ul style="list-style-type: none"><li>◆ Projected reduction in coca cultivation in Colombia, for second year in a row.</li><li>◆ Completion of agreement, including new safety rules, with Colombia to reestablish the Air Bridge Denial Program. Negotiations opened with Peru to establish a similar program.</li><li>◆ Colombian Government security presence extended more than 150 of 160 municipalities previously devoid of any law enforcement presence. More than eighty Colombian nationals extradited to U.S. on narcotics or money laundering charges.</li><li>◆ UN Convention on Transnational Organized Crime and Supplemental Protocol on Trafficking in Persons entered into force. Agreement reached on UN Convention Against Corruption, with signing ceremony set for December.</li><li>◆ Assessments completed and assistance initiated or continued to 16 of 19 priority countries most vulnerable to terrorist financing. The multilateral Financial Action Task Force “graduated” five countries from its “blacklist” of Non-Cooperating Countries and Territories because of improvements in their anti-money laundering laws and practices.</li></ul>	<ul style="list-style-type: none"><li>◆ Domestic – sometimes violent – opposition to coca eradication programs in Peru and Bolivia threaten to undercut government resolve in carrying out eradication programs that have proved successful in the past.</li><li>◆ The inability of the Afghan national government to extend its security and law enforcement authority to outlying provinces continues to undercut Afghan and international efforts to curb opium poppy cultivation and heroin trafficking.</li><li>◆ Lack of absorptive capacity and political will continue to hamper and slow the development of viable money-laundering regimes in many priority terrorist-financing countries.</li><li>◆ More generally, lack of institutional capacity in many key countries – some of them havens for international crime – means that strengthening justice sectors will be a long and slow process.</li><li>◆ Drug traffickers and other international crime groups continue to be exceedingly adept at making use of the latest technological advances and equipment to protect and advance their operations.</li></ul>
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MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results

Challenges

AMERICAN CITIZENS

- ◆ The Passport Records Imaging System Management (PRISM) database has been deployed at all domestic passport facilities. Users can now immediately retrieve electronic records within minutes of passport issuance.
- ◆ Implemented Passport Information Electronic Retrieval System (PIERS), an improved data management system that allows approved users worldwide to access passport records (through OpenNet). This system will also facilitate interagency data sharing as proper data sharing agreements are formulated.
- ◆ The web site for international travelers, travel.state.gov, recorded 198.5 million hits in FY 2003, averaging almost 544,000 hits per day, compared to 128 million hits with a daily average of 347,254 in FY 2002. Enhancements to the web site include an automatic date/time confirmation that travel safety information is current and additional electronic forms.
- ◆ Development/deployment of a new Intelligent Passport that contains an embedded Integrated Circuit that will carry biometric data.
- ◆ Implementation of the Intercountry Adoption Act.
- ◆ Preparations for requirement that U.S. citizens have a U.S. passport for all travel within the Western Hemisphere.

DEMOCRACY AND HUMAN RIGHTS

- ◆ Achieved G-8 commitment to increase international cooperation to combat corruption, deny safe haven to corrupt officials, those who corrupt them, their dependents, and to identify and repatriate funds stolen through acts of corruption.
- ◆ Continued implementation of the Inter-American Anticorruption Convention (IACAC) Follow-Up Mechanism. The IACAC is one of the most important, and the largest of the regional anticorruption mechanisms.
- ◆ Completed negotiations of a comprehensive United Nations Anticorruption Convention.
- ◆ For the first time, comprehensive programs in China were supported through DRL's Human Rights and Democracy Fund to press for structural reforms in the areas of rule of law and democracy.
- ◆ Public-private partnerships and voluntary codes of conduct advanced respect for rule of law and worker rights. Worker rights provisions were negotiated for free trade agreements. Worker organizations multiplied in Middle East.
- ◆ Community of Democracies established as viable multilateral instrument for consolidating democracy. Advances in democracy are now backed by institutions for mutual support, in several regions, to cope with potential crises in democracy.
- ◆ Accelerating the rate of implementation of global anticorruption and transparency commitments such as those adopted in the Global Forum on Fighting Corruption, regional mechanisms, and treaty law.
- ◆ Work continues in pressing for positive results in the make-up of the UN Commission on Human Rights to enable serious resolutions and effective measures addressing the worst human rights violations.
- ◆ Regional capacities to deal with recalcitrant regimes (e.g., Burma, Zimbabwe, Cuba) are still growing.
- ◆ Additional steps to increase interagency coordination and information sharing are necessary to sharpen global strategies and individual program implementation.

ECONOMIC PROSPERITY AND SECURITY

- ◆ Began the reconstruction of Iraq and Afghanistan.
- ◆ Promoted regional and global economic growth through enhanced growth of financial markets and international cooperation on assistance programs.
- ◆ Developed diversified, reliable supplies of energy to reduce dependence on any one source.
- ◆ Managed economic aspects of U.S. engagement with the frontline states in the battle to defeat terrorism.
- ◆ Protected and expanded transportation and communications networks through international cooperation on cargo and passenger security measures, Open Skies agreements, and telecommunications negotiations.
- ◆ Coordinated international efforts to block terrorists' funds and terrorists' ability to use the global financial system.
- ◆ Concluded and obtained ratification by Congress of Free Trade Agreements (FTAs) with Singapore and Chile.
- ◆ Managing a growing workload on an increasing number of issues related to economic prosperity and security including terrorist financing, post-conflict economic reconstruction and trade negotiations.
- ◆ Resolving differences with 33 hemispheric partners over desired scope of Free Trade Area of the Americas Agreement by January 2005 deadline. Most difficult issues with Brazil, other Mercosur members and Caricom countries.
- ◆ Managing workload inherent in stepped up negotiation of Bilateral Free Trade Agreements.
- ◆ Resolving differences blocking resumption of Doha Round WTO negotiations among WTO members regarding Singapore issues (investment, services, etc), agricultural subsidies and other issues.





MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results	Challenges
SOCIAL AND ENVIRONMENTAL ISSUES	
<ul style="list-style-type: none"><li>◆ Progress continues in the battle against HIV/AIDS. Diplomatic outreach efforts have mobilized political leadership around the world, a basic step in the fight.</li><li>◆ Thanks to the Global Health Security Action Group and other bioterrorism activities, countries can take more appropriate action in case of a bioterrorism attack.</li><li>◆ Key conservation management agreements were renegotiated to include forward-looking provisions of current international fisheries law and practice.</li><li>◆ CSD reforms are a leading example of UN reform efforts and are helping to catalyze a shift in emphasis from norm-setting toward implementation of sustainable development.</li><li>◆ A range of cooperative activities in the areas of climate change and clean energy technologies initiated or advanced with 13 bilateral partners and through multilateral initiatives.</li><li>◆ The U.S. hosts ministerial-level Earth Observation Summit to promote the development and financial support of an integrated and sustained earth observation system, designed to link climate, terrestrial and oceans observing datasets.</li><li>◆ Significant progress is made through DOS-led White Water to Blue Water Initiative to energize partnerships to address integrated approaches to watershed and marine ecosystems management in the Caribbean.</li></ul>	<ul style="list-style-type: none"><li>◆ The worst of the AIDS epidemic lies ahead. Implementing the President's Emergency Plan will help alleviate the effects.</li><li>◆ Most countries have inadequate systems to detect or respond to either natural or deliberate (terrorist) outbreaks of disease and climate forecasts which can influence such things as the vulnerability of living resources and the likelihood of disease outbreaks.</li><li>◆ Illegal, unregulated, and unreported (IUU) fishing activities and increasing or transferred fishing vessel capacity continues to undermine efforts to manage fisheries resources.</li><li>◆ Maintain focus on promoting good governance, economic growth with emphasis on poverty reduction and investment in people as best way to address social needs in the Western Hemisphere. Ensure that these approaches form centerpiece of January 2004 Special Summit of the Americas.</li><li>◆ Science and Technology agreements need to better serve the interagency and broader scientific community by addressing such issues as intellectual property, liability, and taxation issues in practical terms and in streamlining the process for authorizing negotiations of agency-level agreements.</li></ul> <div data-bbox="719 976 1216 1325"></div>

HUMANITARIAN RESPONSE

<ul style="list-style-type: none"><li>◆ Contingency planning and effective response averted a humanitarian disaster in Iraq. The Department's work and participation in interagency efforts ensured that adequate food, medical supplies and other humanitarian aid were provided to populations in need.</li><li>◆ The Department supported operations to assist refugees' return and reintegration to Afghanistan, and Angola among other countries. Over 520,000 refugees returned to Afghanistan and roughly 70,000 refugees returned to Angola in FY 2003.</li><li>◆ The Department funded an expanded UNHCR capacity to identify and refer refugees for resettlement to the United States, which is expected to result in greater refugee admissions.</li><li>◆ The World Food Program's efficient and coordinated response to the food crisis in southern Africa averted starvation.</li></ul>	<ul style="list-style-type: none"><li>◆ Lack of security continues to put at risk refugees and those who assist them.</li><li>◆ Security challenges in overseas refugee processing locations will continue to impede USG efforts to maintain a robust resettlement program.</li><li>◆ Information on refugee health remains difficult to collect and analyze. The Department will continue to support collaborative efforts to standardize methodology and improve collection of data on mortality and nutrition in refugee situations, humanitarian emergencies and other conflict settings.</li><li>◆ Despite a strong U.S. commitment, contributions from other donors perennially fall short of world food needs. The Department will continue efforts to mobilize donor contributions to the World Food Program, including "twinning," an approach that matches non-traditional donors of cash with non-traditional donors of food.</li></ul>
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MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results

Challenges

PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

- ◆ President Bush delivered the 213th State of the Union address before the largest worldwide audience ever on January 28, 2003. Tens of millions of people around the globe were able to have access to the speech live on television, and on the Internet, in multiple languages.
- ◆ Since its inception in 2001, the Department’s Chinese-language Internet service, Meiguao Cankao (MCGK), has firmly established itself as the authoritative source on America and its policies and a main source of world news for Chinese readers. MCGK gets an average of 20,000 requests for pages daily and is read by the major Chinese sites. MCGK’s material invariably appears with attribution, notable given the tightly controlled nature of the official Chinese news environment.
- ◆ One hundred thirty one students from communities at risk in countries of priority in the War on Terrorism are studying in U.S. high schools under the Partnerships for Learning YES Youth Exchange.
- ◆ As of July 2003, the Department’s publication, A Responsible Press Office: An Insider’s Guide, has been distributed in 18 languages. Presidential/prime ministerial spokespersons have reported using the publication with staffs, in seminars and in organizing their offices. One prime minister began open discussions with the press after reading the volume and a presidential spokesperson in another reported the publication “saved our lives.”

- ◆ A major effort is needed for more effective communication with the Muslim and Arab worlds and to counter the impact of hostile influences.
- ◆ Anti-American editorial slants in much of the Arabic press make it difficult to get out our message. Pan-Arab satellite television has become the most important element in forming Arab public opinion, but anti-American commentary dominates many of the stations. We are placing greater emphasis on placement of positive articles on the U.S. and gaining more access for American speakers on the air in order to give more objective exposure to the general public on USG policies.
- ◆ The Department needs to augment current public diplomacy evaluation techniques, and rely more on expert professional resources to help base our programs on solid public opinion attitudes and information. A culture of measurement must reach all public diplomacy structures.
- ◆ Border and visa security issues, SARS and the War in Iraq affected exchanges in 2003 and are expected to continue as challenges to the exchange of persons in 2004.
- ◆ The Department will continue to intensify its reach to younger and wider audiences throughout the world.

MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

- ◆ Eighty percent of our diplomatic missions overseas that were at low and medium threat security levels have been brought to a high threat defensive posture thereby affording the Department’s employees with greater protection.
- ◆ The Department has tripled the number of background re-investigations completed annually to ensure the integrity of our workforce and protect national security information.
- ◆ For the first time in several years the Department has reduced hiring deficits in Foreign Service career tracks and has robust pipelines for future hiring.
- ◆ The Civil Service hiring process has been augmented with creative pipeline type approaches that seek to minimize staffing gaps in those skill areas that have frequent vacancies.
- ◆ The Department’s network availability was increased to 98%, providing more reliable communications to Department employees worldwide than ever before.
- ◆ The implementation of the OpenNetPlus program accomplished the Secretary’s highest IT priority plus providing worldwide desktop Internet access for over 43,000 Department users.

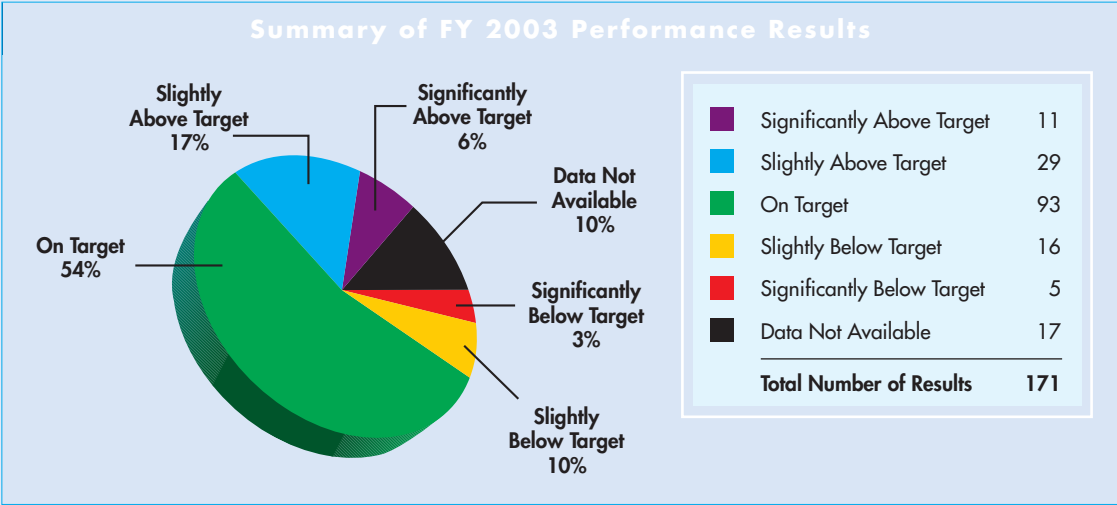
- ◆ Sustain recent improvements and support the expansion of critical security initiatives around the world.
- ◆ The Department worked with OMB to develop a capital replacement program that requires agencies with an overseas presence to pay their fair share of urgent, security-driven capital construction projects undertaken to replace embassy and consulate compounds at the most vulnerable posts thereby, 1) encouraging rightsizing, 2) accelerating construction.



SUMMARY OF FY 2003 PERFORMANCE RESULTS

Summary of All Results

The following pie chart shows the ratings distribution for all performance results reported in FY 2003. As shown below, 77% of the results were "on target" or above, meaning performance results met or exceeded performance targets. This represents an improvement over FY 2002, when 68% of results met or exceeded performance targets.



Summary of Strategic Goal Results

This table shows for each strategic goal the average of the performance ratings for all reported results.

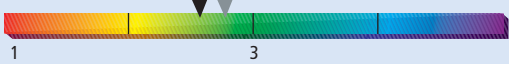

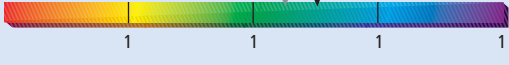
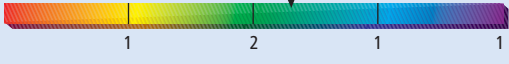
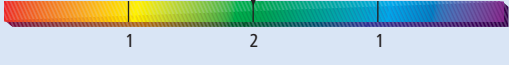
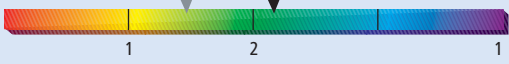
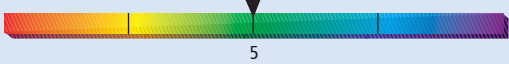
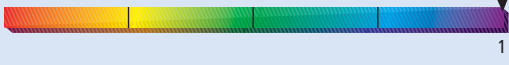
Average Performance Rating <sup>1</sup>			
Strategic Goal	FY 2002	FY 2003	Change From Last Year
Regional Stability	Slightly Below Target	Slightly Below Target	↔
Counterterrorism	On Target	On Target	↔
Homeland Security	Slightly Below Target	On Target	↑
Weapons of Mass Destruction	On Target	On Target	↔
International Crime and Drugs	Slightly Below Target	On Target	↑
American Citizens	On Target	Slightly Below Target	↓
Democracy and Human Rights	Slightly Below Target	Slightly Below Target	↔
Economic Prosperity and Security	Slightly Below Target	On Target	↑
Social and Environmental Issues	On Target	On Target	↔
Humanitarian Response	On Target	On Target	↔
Public Diplomacy and Public Affairs	On Target	On Target	↔
Management and Organizational Excellence	On Target	On Target	↔

<sup>1</sup> Based on the average of all performance result ratings within a strategic goal.



Summary of Performance Goal Results

The table below provides performance results for each of the Department’s FY 2003 performance goals. The inverted black triangle represents the average of all performance ratings assigned to results associated with the Performance Goal. The numbers below the rating scale show how the ratings were distributed among the reported FY 2003 results. In addition, for comparison purposes, the FY 2002 performance rating average is represented by the inverted gray triangle.

Strategic Goal	Performance Goal <sup>1</sup> (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Regional Stability	Close, strong, and effective U.S. ties with allies, friends, partners and regional organizations. 4 Results					
	Existing and emergent regional conflicts are contained or resolved. 4 Results					
Counterterrorism	Coalition partners identify, deter, apprehend, and prosecute terrorists. 4 Results					
	U.S. and foreign governments actively combat terrorist financing. <sup>2</sup> 5 Results					
	Coordinated international prevention and response to terrorism, including bioterrorism. <sup>2</sup> 4 Results					
	Stable political and economic conditions that prevent terrorism from flourishing in fragile or failing states.	USAID addresses this performance goal. <sup>3</sup>				
Homeland Security	Denial of visas to foreign citizens who would abuse or threaten the U.S. while facilitating entry of legitimate applicants. 4 Results					
	Implemented international agreements stop the entry of goods that could harm the U.S., while ensuring the transfer of bona fide materials. <sup>2</sup> 5 Results					
	Protection of critical physical and cyber infrastructure networks through agreements and enhanced cooperation. <sup>2</sup> 1 Result					

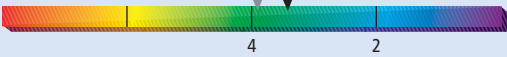
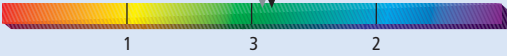
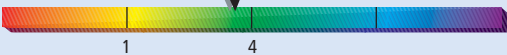
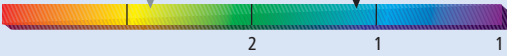

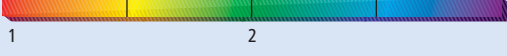

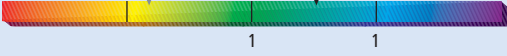
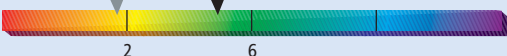
<sup>1</sup> The chart depicts data for “reported results” (i.e., targets for which data were available). In some instances, for a given performance goal, the number of reported results might be less than the number of targets because data was unavailable to produce a results rating.

<sup>2</sup> No gray triangle is shown for this performance goal because this goal was new for FY 2003.

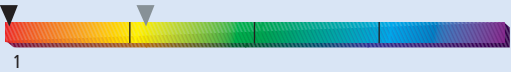
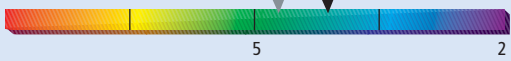
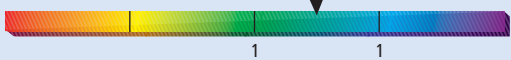
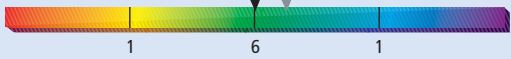

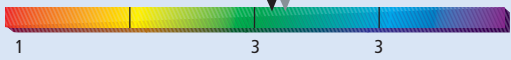
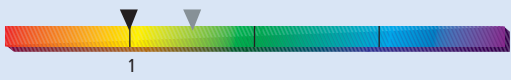
<sup>3</sup> Department of State and USAID share the same goal framework.





Strategic Goal	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Weapons of Mass Destruction	Bilateral measures, including the promotion of new technologies, combat the proliferation of WMD and reduce stockpiles. <i>6 Results</i>					
	Strengthened multilateral WMD agreements and nuclear energy cooperation under appropriate conditions. <i>6 Results</i>					
	Verification integrated throughout the negotiation and implementation of non-proliferation and arms control agreements and commitments, and rigorous enforcement of compliance with implementation and inspection regimes. <i>5 Results</i>					
International Crime and Drugs	International trafficking in drugs, persons, and other illicit goods disrupted and criminal organizations dismantled. <i>4 Results</i>					
	States cooperate internationally to set and implement anti-drug and anti-crime standards, share financial and political burdens, and close off safe-havens through justice systems and related institution building. <i>4 Results</i>					
American Citizens	U.S. citizens have the consular information, services, and protection they need to reside, conduct business, or travel abroad. <i>3 Results</i>					
	Effective and timely passport issuance, with document integrity assured. <i>2 Results</i>					
Democracy and Human Rights	Measures adopted to develop transparent and accountable democratic institutions, laws, and economic and political processes and practices. <i>2 Results</i>					
	Universal standards protect human rights, including the rights of women and ethnic minorities, religious freedom, worker rights, and the reduction of child labor. <i>8 Results</i>					



Strategic Goal	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Economic Prosperity and Security	Institutions, laws, and policies foster private sector-led growth, macroeconomic stability, and poverty reduction. <i>1 Result</i>					
	Increased trade and investment achieved through market-opening international agreements and further integration of developing countries into the trading system. <i>7 Results</i>					
	Secure and stable financial and energy markets. <sup>1</sup> <i>2 Results</i>					
	Enhanced food security and agricultural development.	USAID addresses this performance goal. <sup>2</sup>				
Social and Environmental Issues	Improved global health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis. <i>8 Results</i>					
	Partnerships, initiatives, and implemented international treaties and agreements that protect the environment and promote efficient energy use and resource management. <i>9 Results</i>					
	Broader access to quality education with emphasis on primary school completion.	USAID addresses this performance goal. <sup>2</sup>				
	Effective and humane international migration policies and systems.	At the time the Department was developing FY 2003 targets, this performance goal did not exist and no targets were developed. Therefore, for FY 2003 performance reporting purposes, no results are being reported. Targets have been developed for FY 2004 and beyond. Results will be reported in future performance reports.				
Humanitarian Response	Effective protection, assistance, and durable solutions for refugees, internally displaced persons, and conflict victims. <i>7 Results</i>					
	Improved capacity of host countries and the international community to reduce vulnerabilities to disasters and anticipate and respond to humanitarian emergencies. <i>1 Result</i>					

<sup>1</sup> No gray triangle is shown for this performance goal because this goal was new for FY 2003.

<sup>2</sup> Department of State and USAID share the same goal framework.



Strategic Goal	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Public Diplomacy and Public Affairs	Public diplomacy influences global public opinion and decision-making consistent with U.S. national interests. <sup>1</sup> <i>3 Results</i>					
	International exchanges increase mutual understanding and build trust between Americans and people and institutions around the world. <i>2 Results</i>					
	Basic human values embraced by Americans are respected and understood by global publics and institutions. <sup>1</sup> <i>1 Result</i>					
	American understanding and support for U.S. foreign policy, development programs, the Department of State, and USAID. <sup>1</sup> <i>4 Results</i>					
Management and Organizational Excellence	A high-performing, well-trained, and diverse workforce aligned with mission requirements. <i>11 Results</i>					
	Modernized, secure, and high quality information technology management and infrastructure that meet critical business requirements. <i>6 Results</i>					
	Personnel are safe from physical harm and national security information is safe from compromise. <i>6 Results</i>					
	Secure, safe, and functional facilities serving domestic and overseas staff. <i>5 Results</i>					
	Integrated budgeting, planning, and performance management; effective financial management; and demonstrated financial accountability. <i>5 Results</i>					
	Customer-oriented, innovative delivery of administrative and information services, acquisitions, and assistance. <i>5 Results</i>					

<sup>1</sup> No gray triangle is shown for this performance goal because this goal was new for FY 2003.



ILLUSTRATIVE EXAMPLES OF SIGNIFICANT ACHIEVEMENTS

STRATEGIC GOAL #1: REGIONAL STABILITY

Man-Portable Air-Defense Systems (MANPADS)

The State Department led the international effort to prevent terrorists from acquiring MANPADS, more commonly known as shoulder-fired missiles, that could be used to shoot down civilian airliners and government aircraft. Under U.S. leadership the G-8 agreed to: strengthen export controls (including limiting transfers to those between governments); research access controls for newly produced MANPADS; strengthen security of government stocks; and destroy those that are surplus to defense needs. The Department is leading a similar effort in the Wassenaar arrangement, which will affect most producers of MANPADS. We are also working closely with Russia to support their effort to gain control of those MANPADS in the CIS. The State Department secured commitments from six countries to destroy almost 9,500 MANPADS (approximately 1% of the MANPADS that have ever been produced). Almost 1,200 were destroyed by the end of FY 2003.



A member of the NATO-led peacekeeping force in Bosnia detonates a controlled explosion to destroy six shoulder launched anti aircraft missiles in a remote mountain area near Sarajevo. The United States has asked all of its friends to dispose of obsolete MANPADS because they pose a serious threat to civil and military aviation in the wrong hands. © AP Photo

STRATEGIC GOAL #2: COUNTERTERRORISM

Terrorist Interdiction Program (TIP)



During FY 2003, 12 nations expanded their partnership with the United States in the global fight against terrorism by agreeing to accept TIP to strengthen control of their air, land and sea ports of entry. By assisting these nations to secure their borders, TIP has enhanced the security of all Americans, including those who live and travel abroad. TIP has broadened cooperation and strengthened a shared sense of urgency between the United States and these nations in the effort to defeat international terrorism, and in several cases, has served as the cornerstone of an evolving comprehensive mutual counterterrorism strategy. Finally, the information provided by nations operating TIP has significantly broadened our understanding of terrorist movements and methods.

Philippine military officials ride on a combat boat during a demonstration in Manila Bay. The new boats are part of the Philippine Navy's modernization program to better fight terrorists, poachers, pirates and drug smugglers. The Philippines is one of 12 countries to partner with the United States in the Terrorist Interdiction Program. © AP Photo





STRATEGIC GOAL #3: HOMELAND SECURITY

Container Security Initiative



The Department spearheaded global efforts to protect transportation networks through stronger shipping and aviation security rules. Nineteen of the 20 largest world ports committed to participate in the Container Security Initiative (CSI). In addition, the program expanded to other strategic ports including Malaysia and South Africa. CSI is now operational in sixteen ports (as of September 30, 2003) and at least two countries, Canada and Japan, have utilized the reciprocal aspects of the program to have their customs officials present at U.S. ports to observe cargo bound for their countries.

*Department of State Photo*

STRATEGIC GOAL #4: WEAPONS OF MASS DESTRUCTION

Cooperation with Russia on New Strategic Framework



In June 2003, the U.S.-Russian Treaty on Strategic Offensive Reductions entered into force, reflecting the dramatic shift from Cold War rivalry to partnership based on the principles of mutual security, trust, openness, and cooperation. The Treaty binds the U.S. and Russia to reduce the levels of strategic nuclear warheads by the end of 2012 to between 1,700 and 2,200 - about one-third of current levels

*© AP Photo*



STRATEGIC GOAL #5: INTERNATIONAL CRIME AND DRUGS

Trafficking in Persons

There are an estimated 800,000 to 4 million persons trafficked annually across and within international borders. Approximately 20,000 victims of trafficking are brought into the United States each year. The Department and a consortium of U.S. NGOs hosted an innovative international conference on best practices, bringing together 400 NGO and



Secretary of State Colin Powell holds up the State Department's third annual report on human trafficking during a news conference in Washington. Fifteen countries, including U.S. allies Greece and Turkey, have made no significant efforts to stop trafficking in humans and may face sanctions, the State Department report said. © AP Photo/Charles Dharapak

government representatives who are on the frontlines of the war to combat slavery. Since the conference, two countries are now working collaboratively on trafficking cases and participants from the Western Hemisphere have formed a listserv on the Internet as a means of exchanging information. The Department significantly strengthened the annual Trafficking in Persons report by adding 26 new countries, incorporating new law enforcement data, and adding new features, such as victims stories and color photographs, sections on best practices, areas for improvement, and special cases, and a special matrix of relevant international conventions. Department funding facilitated the development of a regional action plan on combating trafficking in persons that was adopted by the member states of the Economic Community of West African States (ECOWAS). ECOWAS countries are in the process of developing national action plans, revising their legislation and identifying national points of contact.

STRATEGIC GOAL #6: AMERICAN CITIZENS

International Child Abduction

In January, Assistant Secretary for Consular Affairs Harty traveled to Saudi Arabia, Lebanon and Syria and raised the issue of international parental child abduction with senior government officials in each country. Since then ten Americans involved in such situations have been able to return to the United States from those countries. She visited Saudi Arabia again in April to emphasize the same concerns. Department officials meet regularly with Saudi officials, both in Washington and Riyadh, to seek solutions in specific cases and to find more systematic ways to address the problem of international parental child abduction. The Bureau of Consular Affairs hosted "Town Hall" meetings in February and July that were attended by over 75 left-behind parents. Parents identified ways we can serve them better.



U.S. Assistant Secretary for Consular Affairs Maura Harty visits American citizen children overseas (shown with their grandmother), on behalf of their mother in the U.S., from whom the children had been abducted at an early age by her foreign ex-husband. Department of State Photo



STRATEGIC GOAL #7: DEMOCRACY AND HUMAN RIGHTS



Former New York Mayor and Chairman of the U.S. delegation Rudolph Giuliani, Federal Government Commissioner for Human rights, Policy and Humanitarian Aid Claudia Roth from Germany and Head of the Albanian Delegation Zef Mazi, from left, participate in a conference on anti-semitism organized by the Organization for Security and Cooperation in Europe (OSCE) at Vienna's Hofburg palace. © AP Photo/Ronald Zak

Anti-Semitism in Europe

The Department led the effort in the Organization for Security and Cooperation in Europe to hold a conference on anti-semitism. The U.S. delegation was led by Rudolph Giuliani and included members of Congress and NGO leaders. The gathering defined anti-Semitism as a human rights issue and tasked the OSCE's Office for Democratic Institutions and Human Rights (ODIHR) to serve as a collection point for hate crime information and statistics and to promote best practices in the fight against intolerance. The German government will host a follow-up meeting in Berlin next April. No regional or international organization had previously treated anti-semitism as a human rights matter

STRATEGIC GOAL #8: ECONOMIC PROSPERITY AND SECURITY

Terrorism Financing



Jimmy Gurule, left, Under Secretary for Enforcement, U.S. Department of the Treasury, testifies during a Senate Judiciary Committee hearing on terrorism financing, in Washington. © AP Photo/Ken Lambert

State, Treasury, Justice, FBI, the Department of Homeland Security and other agencies all work together in the fight against terrorism finance. The U.S. supported the submission by many countries of al-Qaida-linked names for inclusion in the UN asset-freeze list, requiring all countries to act against these names. We have taken action — including asset-freezing — against charities supporting terrorism, creating an incentive for charities worldwide to ensure their funds are not being diverted to terrorist organizations. In addition many essential complementary actions have also been taken. These include the building of an international alliance against terrorism, training and technical assistance to help countries develop the capacity to fight terrorist financing, the development of international standards, and the exploitation of intelligence. All of these efforts work together to protect the United States and our allies from the scourge of terrorism now and in the future.



STRATEGIC GOAL #9: SOCIAL AND ENVIRONMENTAL ISSUES

The President’s Emergency Plan for AIDS Relief



President Bush and Secretary Powell at a State Department Bill signing ceremony for the U.S. Leadership Against HIV/AIDS, Tuberculosis and Malaria Act of 2003. State Department photo by Michael Gross

President Bush announced his Emergency Plan for AIDS Relief in January 2003. It will provide \$15 billion, including nearly \$10 billion in new funding, to fight the HIV/AIDS pandemic over the next five years, focusing on 14 of the hardest-hit countries. The Emergency Plan pledges \$1 billion to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) over the next 5 years, increasing the total U.S. commitment to over \$1.6 billion since the Fund’s inception. The U.S. Leadership Against HIV/AIDS, Tuberculosis and Malaria Act, authorizing the initiative, was passed in May 2003. Ambassador Randall Tobias was confirmed in October as Global AIDS Coordinator to administer the Emergency Plan.

STRATEGIC GOAL #10: HUMANITARIAN RESPONSE

Angola Repatriation

The end of civil war in Angola has made it possible for hundreds of thousands of refugees and internally displaced persons (IDPs) to return home, many of whom were displaced as long ago as 1965. In June 2003, the UN High Commissioner for Refugees (UNHCR) launched a major repatriation operation to facilitate the return of some 400,000 Angolan refugees from neighboring countries. The Department contributed over \$12.6 million in support of Angolan repatriation, which includes return transportation and reintegration assistance such as identification and registration, transit centers, food aid, health services, mine risk education and HIV/AIDS awareness.



Malnourished children in a refugee camp near Lobito, Angola, wait for a plate of corn porridge, their only daily meal, supplied by Jesus Alive Ministries, a South African based Christian group. The children show signs of malnutrition such as thinning and yellowing hair, flaking skin, and potbellies.

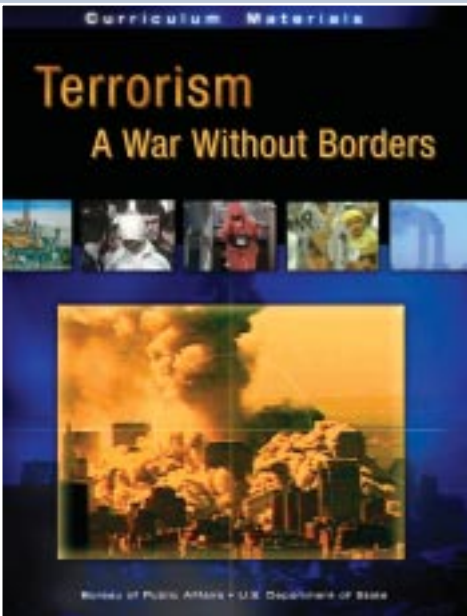
© AP Photo/ Pieter Malan





STRATEGIC GOAL #11: PUBLIC DIPLOMACY AND PUBLIC AFFAIRS

Educating the Public About Terrorism



In an exciting new outreach initiative, the Bureau of Public Affairs produced a high-quality historical video and curriculum package on terrorism for use in high school classrooms around the country. A War Without Borders was designed to give students a brief overview of the history and impact of terrorism and help them understand its relationship to their own lives. Distributed to nearly 13,000 social studies teachers, A War Without Borders reached more American students than any other post-9/11 curriculum package, according to an independent university study. Feedback has been overwhelmingly positive, and many teachers have decided to re-use the package annually. The video is the first in a series created especially for students to help them understand both the complexities and opportunities of the world in the 21st century.

*In the Department-produced video and curriculum package Terrorism: A War Without Borders (pictured at left), students around the country were challenged to answer the question, "What do you think?" The classroom-ready package fully supports the curriculum standards of the National Council for the Social Studies. Department of State Photo*

STRATEGIC GOAL #12: MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

Strengthening Embassy Compounds



The Bureau of Overseas Buildings Operations (OBO) completed seven capital construction projects in FY 2003. These include new embassy compounds (NECs) in Tunis, Dar es Salaam, Zagreb, Istanbul; the USAID facility in Dar es Salaam; and the Bogota USAID/NAS Annex. These facilities were accomplished on time and within budgets based on their construction contracts. In addition, OBO had 17 capital projects under construction and another 9 projects awarded at the end of FY 2003. These, plus 81 new embassy compound (NEC) capital projects currently in planning, will significantly strengthen embassy and consulate compounds to provide secure, safe, and functional facilities for U.S. Government employees serving the nation's interests overseas. The Department's overseas buildings plan is in high gear as evidenced by the number of fine new facilities being completed and those on the way.

*U.S. Marines raise the American flag during the inauguration of the new U.S. Embassy in Nairobi, Kenya. Al-Qaida operatives planned to destroy the U.S. Embassy in Nairobi in June with a truck bomb and a hijacked small plane loaded with explosives.*

© AP Photo/ Khalil Senosi



PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

The Office of Management and Budget (OMB) uses the Program Assessment Rating Tool (PART) to assess federal programs. Through the use of in-depth, diagnostic questions, the PART is employed to assess and evaluate programs across a set of performance-related criteria. PART results are then used to help improve program management and ensure that the American taxpayers receive the best value for their tax dollars.

In the fall of 2002 and summer of 2003, OMB reviewed approximately 40% of State's programs and plans to review an additional 20% in the spring/summer of 2004. The results of these reviews are used to inform the planning and budgeting process and are published in the annual President's Budget, which is submitted to Congress. Information depicted in Table 1 shows that most of the Department's initial PART programs demonstrated improvement when reassessed in 2003. As shown in Table 1, all of the Department's reassessed PARTs are now rated Moderately Effective or above. Finally, the Department has created efficiency measures for all PART programs reviewed to date.

The results from the PART reviews conducted by OMB are summarized on the following pages by strategic goal. Information is provided describing how bureaus have addressed and implemented findings and recommendations.

TABLE 1  
STATUS OF RE-ASSESSED PARTs

2003 RATINGS REFLECT IMPROVEMENT		
Rating	2002 Results	2003 Results
Effective	0	3
Moderately Effective	4	6
Adequate	2	0
Results Not Demonstrated	3	0
Totals	9	9

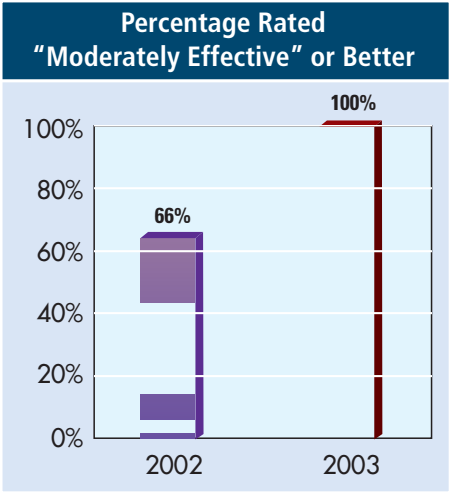


TABLE 2  
PART SUMMARIES BY STRATEGIC GOAL

STRATEGIC GOAL 1	REGIONAL STABILITY
Program Name	Military Assistance to New NATO and NATO Aspirant Nations
Score and Rating	<ul style="list-style-type: none"><li>FY 2004: Moderately Effective</li><li>FY 2005: Moderately Effective</li></ul>
Lead Bureau	<ul style="list-style-type: none"><li>European and Eurasian Affairs (EUR)</li></ul>
Major Findings/ Recommendations	<ul style="list-style-type: none"><li>There is no regularly scheduled evaluation of program effectiveness by independent parties.</li><li>The Department of State and Defense differ on priorities and do not produce coinciding budget schedules.</li></ul>
Actions Taken/Planned	<ul style="list-style-type: none"><li>DoD goals are discussed in interagency meetings to balance DoD requirements with Department goals. This will produce a single, agreed-upon recommendation.</li></ul>
Program Name	Peacekeeping Operations OSCE
Score and Rating	<ul style="list-style-type: none"><li>FY 2004: Results Not Demonstrated</li><li>FY 2005: Moderately Effective</li></ul>
Lead Bureau	<ul style="list-style-type: none"><li>European and Eurasian Affairs (EUR)</li></ul>
Major Findings/ Recommendations	<ul style="list-style-type: none"><li>Does not contain adequate annual targets or baseline information.</li><li>Performance goals are overly broad and dependent on numerous factors.</li><li>Information in performance reports is not linked to performance plan measures or compared against baseline data.</li><li>Program managers not held accountable for program performance.</li></ul>
Actions Taken/Planned	<ul style="list-style-type: none"><li>USOSCE, EUR and PM developed detailed performance indicators for PKO-funded OSCE Missions and Activities.</li><li>Performance indicators developed for OSCE-brokered political settlements in Moldova, Nagorno-Karabakh conflict between Armenia and Azerbaijan and US initiatives to improve financial management of the OSCE Secretariat.</li><li>FY 2005 USOSCE Mission Performance Plan (MPP) praised by OMB as a model for clarity of performance-based foreign policy objectives.</li></ul>
Program Name	Security Assistance to Sub-Saharan Africa
Score and Rating	<ul style="list-style-type: none"><li>FY 2004: Results Not Demonstrated</li><li>FY 2005: Moderately Effective</li></ul>
Lead Bureau	<ul style="list-style-type: none"><li>African Affairs (AF)</li></ul>
Major Findings/ Recommendations	<ul style="list-style-type: none"><li>Programs did not differentiate between annual and long-term goals, or include targets and baseline information.</li><li>Performance goals are overly broad and dependent on numerous factors.</li><li>Information in performance reports is not linked to performance plan measures or compared against baseline data.</li><li>Program managers not held accountable for program performance.</li></ul>
Actions Taken/Planned	<ul style="list-style-type: none"><li>Provided proposed measures to OMB for review.</li><li>Provided performance data for use in Department's Performance and Accountability Report.</li><li>Incorporated responses to recommendations in FY 2005 BPP.</li></ul>



STRATEGIC GOAL 2	COUNTERTERRORISM
Program Name	Anti-Terrorism Assistance
Score and Rating	<ul style="list-style-type: none"><li>FY 2004: Moderately Effective</li><li>FY 2005: Effective</li></ul>
Lead Bureau	<ul style="list-style-type: none"><li>Diplomatic Security (DS)</li></ul>
Major Findings/ Recommendations	<ul style="list-style-type: none"><li>Long-term goals do not have performance indicators or other long-term targets.</li><li>Program should establish measures to gauge progress toward long-term goals.</li></ul>
Actions Taken/Planned	<ul style="list-style-type: none"><li>Establish long term goals and targets.</li><li>Establish measures to gauge progress toward long-term goals.</li></ul>

STRATEGIC GOAL 3	HOMELAND SECURITY
Program Name	Visa and Consular Services/ Border Security
Score and Rating	<ul style="list-style-type: none"><li>FY 2004: Moderately Effective</li><li>FY 2005: Moderately Effective</li></ul>
Lead Bureau	<ul style="list-style-type: none"><li>Consular Affairs (CA)</li></ul>
Major Findings/ Recommendations	<ul style="list-style-type: none"><li>Annual goals and targets do not adequately link to the long-term goals or provide relevant performance data.</li></ul>
Actions Taken/Planned	<ul style="list-style-type: none"><li>CA is making a concerted effort and working with OMB to ensure that annual goals and targets link to the long-term goals and provide relevant performance data. Revised goals and targets will be reflected in next year's PART.</li></ul>

STRATEGIC GOAL 10	HUMANITARIAN RESPONSE
Program Name	Refugee Admissions to the U.S.
Score and Rating	<ul style="list-style-type: none"><li>FY 2004: Adequate</li><li>FY 2005: Moderately Effective</li></ul>
Lead Bureau	<ul style="list-style-type: none"><li>Population, Refugees and Migration (PRM)</li></ul>
Major Findings/ Recommendations	<ul style="list-style-type: none"><li>Program managers at the Department closely collaborate with grantees and state governments to ensure effective use of funds.</li><li>Management should focus on strategic planning. 2003 and prior performance plans had overly broad goals that made it difficult to measure effectiveness.</li><li>Overlap was found between functions of DoS and HHS programs.</li></ul>
Actions Taken/Planned	<ul style="list-style-type: none"><li>OMB will review the relationship between the Refugee Admissions program at the Department of State and the Office of Refugee resettlement at HHS.</li><li>The Department will continue ongoing efforts to improve strategic planning and ensure that goals are measurable and mission-related.</li></ul>
Program Name	Humanitarian Migrants to Israel
Score and Rating	<ul style="list-style-type: none"><li>FY 2004: Adequate</li><li>FY 2005: Moderately Effective</li></ul>
Lead Bureau	<ul style="list-style-type: none"><li>Population, Refugees and Migration (PRM)</li></ul>
Major Findings/ Recommendations	<ul style="list-style-type: none"><li>Program needs continued focus on strategic planning; needs more ambitious targets.</li><li>PRM has been working with the United Israel Appeal (UIA) and the Jewish Agency for Israel to create annual performance goals that meaningfully reflect program purpose.</li><li>The program is making some progress toward achieving its long-term and short-term goals.</li></ul>
Actions Taken/Planned	<ul style="list-style-type: none"><li>In FY 2003, the Department and UIA developed an agreed upon set of long-term and short term goals for UIA.</li></ul>





STRATEGIC GOAL 11	PUBLIC DIPLOMACY AND PUBLIC AFFAIRS
Program Name	Educational Exchanges in Near East Asia and South Asia
Score and Rating	<ul style="list-style-type: none"><li>FY 2004: Results Not Demonstrated</li><li>FY 2005: Effective</li></ul>
Lead Bureau	<ul style="list-style-type: none"><li>Education and Cultural Affairs (ECA)</li></ul>
Major Findings/Recommendations	<ul style="list-style-type: none"><li>Interim FY 2004 Finding: Program needs to strengthen strategic planning by taking the following actions:<ol style="list-style-type: none"><li>Set long-term goals relative to baseline,</li><li>Clearly define targets and timeframes to measure annual progress,</li><li>Create regional long-term goals, and</li><li>Tailor its planning by regional/country to effectively reach target audiences.</li></ol></li></ul>
Actions Taken/Planned	<ul style="list-style-type: none"><li>Department provides proposed performance measures and goals as well as a proposed planning process to OMB for review.</li><li>Long-term and annual goals are set to established baselines, targets and timeframes now included in performance indicators.</li><li>Regional goals are established through coordination with regional bureaus.</li><li>Program planning tailored by region/country and target audience. Partnerships for Learning (P4L) initiative launched.</li><li>A performance measurement system, based on PART recommendations in development, FY 2003 pilot testing includes NEA and SA exchanges.</li><li>Hired an exchanges coordinator, started an exchange working group, and hired a Middle East Initiatives evaluation officer.</li></ul>





STRATEGIC GOAL 12	MANAGEMENT AND ORGANIZATIONAL EXCELLENCE
Program Name	Capital Security Construction
Score and Rating	<ul style="list-style-type: none"><li>FY 2004: Moderately Effective</li><li>FY 2005: Effective</li></ul>
Lead Bureau	<ul style="list-style-type: none"><li>Overseas Buildings Operations (OBO)</li></ul>
Major Findings/Recommendations	<ul style="list-style-type: none"><li>At the time of the FY 2004 PART review, the effects of management changes undertaken in OBO were not yet known. However, the effects of management changes were fully documented in the FY 2005 PART and were shown to be highly successful as evidenced by outstanding results demonstrated by the Capital Security Construction program.</li></ul>
Actions Taken/Planned	<ul style="list-style-type: none"><li>The Department developed annual and long-range performance goals, which are closely integrated with the budget – one of the positive results from management changes made over the past two years in OBO.</li></ul>




THE PRESIDENT’S MANAGEMENT AGENDA  
AND MANAGEMENT CHALLENGES

THE PRESIDENT’S MANAGEMENT AGENDA

The Department has made substantial progress on each of the five President’s Management Agenda (PMA) initiatives. Each quarter, The Office of Management and Budget (OMB) releases an executive scorecard which rates progress and overall status in each of the President’s Management Agenda initiatives. The progress and status ratings are based on a color-coded system that is based on criteria determined by OMB for all agencies. As of December 2003, the Department achieved four “green” and one “yellow” score for progress on implementation. With respect to overall status, the Department has made significant improvements in several areas, with the status scores for Strategic Management of Human Capital, Improved Financial Performance, and Budget and Performance Integration now at “yellow”. The following is a brief overview of the Department’s overall PMA progress.

 Progress	STRATEGIC MANAGEMENT OF HUMAN CAPITAL	 Status
<div><div>◆ GOAL</div><div><div>● Build, sustain, and deploy effectively a skilled, knowledgeable, diverse, and high-performing workforce aligned with mission objectives.</div></div><div>◆ PROGRESS DURING FY 2003</div><div><div>● Implemented the second year of the Diplomatic Readiness Initiative (DRI).</div><div>● Integrated Human Capital elements in all Bureau Performance Plans (BPPs).</div><div>● Enhanced Domestic Staffing Model (DSM). Implemented Civil Service succession model.</div><div>● Developed new Foreign Service (FS) evaluation form.</div><div>● Expanded use of Accountability System.</div></div><div>◆ UPCOMING ACTION</div><div><div>● Document Comprehensive Human Capital Plan.</div><div>● Use enhanced workforce planning tools for budget preparation and financial plan implementation.</div><div>● Evaluate enhanced Domestic Staffing Model (DSM) administrative function opportunities and report on management decisions regarding next steps.</div><div>● Finalize changes to Foreign Service performance evaluation process and prepare for pilot.</div><div>● Expand Accountability System to cover additional management processes.</div><div>● Report on results of third year of leadership &amp; management training initiative and new class of Senior Executive Service Candidates in OPM program.</div></div></div>		
 Progress	COMPETITIVE SOURCING	 Status
<div><div>◆ GOAL</div><div><div>● Use competition to determine the most effective method of providing commercial activities to the Department of State.</div></div><div>◆ PROGRESS DURING FY 2003</div><div><div>● Completed first streamlined competition. Secured \$1.2 million to initiate program.</div><div>● Contractor hired to conduct market analysis, benchmarking and organizational assessment for entire Multi-Media Services organization.</div><div>● Began program of expanded training including human resources, FAIR Act, and contracting staff.</div><div>● Issued Competitive Sourcing guidance establishing a Competitive Sourcing Official, Competition Council, and Steering Committee.</div></div><div>◆ UPCOMING ACTION</div><div><div>● Release FAIR Act inventory and complete challenge/appeals process.</div><div>● Evaluate competition candidates and report on status of media services review.</div></div></div>		



 Progress	<h2>IMPROVED FINANCIAL PERFORMANCE</h2>	 Status
<ul style="list-style-type: none"><li>◆ <b>GOAL</b><ul style="list-style-type: none"><li>● Improve accountability through audited financial statements.</li><li>● Increase accuracy of benefit and assistance payments, and strengthen management controls.</li><li>● Implement financial systems that produce timely, accurate and useful financial information.</li></ul></li><li>◆ <b>PROGRESS DURING FY 2003</b><ul style="list-style-type: none"><li>● New Regional Financial Management System (RFMS) implemented for all overseas posts.</li><li>● The Department's FY 2003 Financial Statements received an unqualified opinion, marking the seventh consecutive unqualified opinion, and were issued five weeks earlier than FY 2002.</li><li>● Received the prestigious Certification of Excellence for Accountability Reporting (CEAR) for the "FY 2002 Performance and Accountability Report". State was also honored to receive the Platinum 2002 Vision Award for the "Performance and Accountability Highlights" placing fourth overall from among over 900 entrants.</li><li>● Resolved all material weaknesses and material nonconformances allowing the Secretary to issue an unqualified Statement of Assurance for FY 2003.</li><li>● Relocated the Department's financial operations from the Paris Financial Service Center (FSC) to the Charleston, South Carolina and Bangkok, Thailand FSCs.</li></ul></li><li>◆ <b>UPCOMING ACTION</b><ul style="list-style-type: none"><li>● Ongoing consolidation of headquarters financial operations to the Charleston FSC.</li><li>● Ongoing collaboration with USAID to establish a joint financial platform for the beginning of FY 2006.</li><li>● Streamline processes to meet the accelerated financial reporting due date of November 15th for FY 2004 and beyond.</li></ul></li></ul>		
 Progress	<h2>EXPANDED ELECTRONIC GOVERNMENT</h2>	 Status
<ul style="list-style-type: none"><li>◆ <b>GOAL</b><ul style="list-style-type: none"><li>● Expand the federal government's use of electronic technologies (such as e-procurements, e-grants, and e-regulation), so that Americans can receive high-quality government service.</li></ul></li><li>◆ <b>PROGRESS DURING FY 2003</b><ul style="list-style-type: none"><li>● Completed certification and accreditation (C&amp;A) for 56 out of 139 systems.</li><li>● Department and USAID completed a joint As-Is Enterprise Architecture.</li><li>● Submitted the first Federal Information Security Management Act (FISMA) report.</li><li>● Completed Classified Connectivity project ahead of schedule and under budget.</li></ul></li><li>◆ <b>UPCOMING ACTION</b><ul style="list-style-type: none"><li>● The joint State/USAID Management Council agrees on an implementation plan for the joint "To-Be" Enterprise Architecture with milestones for lines of business.</li><li>● Report on percentage of systems certified and accredited.</li><li>● OIG verifies that there is a Department-wide IT Security Plan of Action and Milestones.</li><li>● The State Messaging and Archive Retrieval Toolset (SMART) Program Management Office (PMO) will coordinate with the E-government initiatives to ensure the project is not redundant, or agency unique.</li></ul></li></ul>		
 Progress	<h2>BUDGET AND PERFORMANCE INTEGRATION</h2>	 Status
<ul style="list-style-type: none"><li>◆ <b>GOAL</b><ul style="list-style-type: none"><li>● Improve performance and management by linking performance to budget decisions and improve performance tracking and management.</li></ul></li><li>◆ <b>PROGRESS DURING FY 2003</b><ul style="list-style-type: none"><li>● Developed first-ever joint State-USAID Strategic Plan.</li><li>● Reduced Strategic Objectives by 55%, reduced strategic goals by 40%, and developed outcome-oriented performance goals that directly link to the strategic objectives and goals.</li><li>● Allocated resources at both the strategic and performance goal levels for both State and non-State administered accounts.</li><li>● Created efficiency measures for all completed PART programs.</li><li>● Completed automation of Mission and Bureau Performance Plan Modules.</li></ul></li><li>◆ <b>UPCOMING ACTION</b><ul style="list-style-type: none"><li>● Develop efficiency measures for all programs.</li><li>● Develop Bureau Resource Management System CFPS Module.</li></ul></li></ul>		



MANAGEMENT CHALLENGES

The General Accounting Office and the Department’s Office of Inspector General have identified several “management challenges” that represent areas where the Department must improve operations. The table below summarizes, by strategic goal, each of the challenges, their corresponding findings, recommendations, actions being taken and expected results.

STRATEGIC GOAL	HOMELAND SECURITY
Challenge	Visa Processing and Border Security
Recommendations	<ul style="list-style-type: none"><li>◆ Develop a clear policy on the priority attached to addressing national security concerns connected with the visa process; develop more comprehensive guidance on how posts should use the visa process to screen against potential terrorists; assess staffing requirements for visa operations; and expand consular training.</li><li>◆ Ensure that appropriate units within INS and the FBI receive notification of visa revocations.</li><li>◆ Visa process must be considered as part of a larger process of admitting and tracking visa recipients.</li></ul>
Actions Being Taken	<ul style="list-style-type: none"><li>◆ Issued a “visa roadmap” outlining new visa priorities and policies. Issued over 40 standard operating procedures to ensure that consular officers abroad properly review visa applications, effectively fulfill their critical national security responsibilities, and have a step-by-step, unambiguous guide for all procedures.</li><li>◆ Visa revocation problems were fixed. Written instructions provided in the Foreign Affairs Manual. Notice of visa revocation is provided to the Department of Homeland Security and the FBI. Visa revocation lookout code is shared between DOS and DHS lookout systems. (GAO Report 03-798)</li><li>◆ Added staff, including a Senior Advisor for Strategic Planning, in the Visa Office and established 39 new overseas positions funded by visa fees and 51 new consular positions.</li><li>◆ Introduced new training on interviewing techniques, with additional emphasis on ethics and terrorism and expanded Chief of Mission, DCM and Principal Officer training.</li></ul>
STRATEGIC GOAL	INTERNATIONAL CRIME AND DRUGS
Challenge	Strategic Planning
Recommendations	<ul style="list-style-type: none"><li>◆ Establish clear objectives, including developing specific performance measures, and estimate future U.S. funding requirements for the programs with the Colombian Army and the Colombian National Police.</li></ul>
Actions Being Taken	<ul style="list-style-type: none"><li>◆ Beginning with the FY 2005 budget cycle, the Department intends to establish clear objectives, develop performance measures and estimate future funding requirements. This is now possible due to the maturation of “Plan Colombia” over three years.</li></ul>
STRATEGIC GOAL	DEMOCRACY AND HUMAN RIGHTS
Challenge	Interagency Coordination
Recommendations	<ul style="list-style-type: none"><li>◆ The Department and other agencies should develop more comprehensive strategic plans at the regional and country level to address cooperation among agencies and other major donors.</li><li>◆ Establish a strategy for evaluating projects and a mechanism to share information among U.S. agencies and project implementers.</li></ul>
Actions Being Taken	<ul style="list-style-type: none"><li>◆ Interagency discussions are now underway that will lead to increased USG cooperation in implementing democracy assistance programs. The immediate objectives of interagency meetings will be to share information, avoid duplication and ensure optimal use of available funds from all sources.</li></ul>





Strategic Goal	Management and Organizational Excellence
Challenge	Financial Management
Recommendations	<ul style="list-style-type: none"><li>◆ Address delinquencies before they reach the 90-day past due category by putting into place a process to address delinquencies in the 60-day past due period before the cards are automatically suspended.</li><li>◆ Provide program coordinators with clear written guidance on an Intranet site; provide adequate formal training.</li><li>◆ Improve oversight of travel card program by checking for multiple accounts and transferring/canceling travel cards when an employee leaves a bureau.</li></ul>
Actions Being Taken	<ul style="list-style-type: none"><li>◆ Implementing a process to deal with travel card payment delinquencies in the 90- and 120-day past due categories.</li><li>◆ Launching a preliminary effort to detect and prevent misuse of travel cards.</li></ul>
Challenge	Overseas Building Security
Recommendations	<ul style="list-style-type: none"><li>◆ Because of the high costs and importance of the Capital Security Construction program, GAO believes the program merits continued oversight.</li></ul>
Actions Being Taken	<ul style="list-style-type: none"><li>◆ Constructing perimeter walls, anti-ram barriers, and access controls at many facilities. Funding the construction of new buildings and other such capital projects to improve overseas facilities.</li></ul>
Challenge	Knowledge Management
Recommendations	<ul style="list-style-type: none"><li>◆ Identify business requirements, such as core diplomatic functions, as a basis for shaping KM approach.</li><li>◆ Implement KM through IT tools, commitment and support structures such as training.</li><li>◆ Identify and counteract cultural barriers to KM.</li></ul>
Actions Being Taken	<ul style="list-style-type: none"><li>◆ Improving DOS intranet site to collect, integrate and share knowledge more efficiently.</li><li>◆ Exploitation of key technologies to improve the Department's performance worldwide.</li><li>◆ Greater use of classified and unclassified government networks for information exchange.</li><li>◆ The Department is developing a system to provide diplomats and managers with significantly enhanced communications and knowledge management tools.</li><li>◆ In FY 2002 and FY 2003, the Department completed a Business Process Reengineering (BPR) study, determined requirements, assessed alternatives and completed and evaluated a prototype/proof of concept for elimination of the legacy cable system.</li><li>◆ In FY 2004, one vendor was selected to develop a solution for a design/demonstration. The solution will be piloted involving over 4,000 users in domestic and overseas locations.</li><li>◆ In FY 2005, the system known as State Messaging and Archive Retrieval Toolset (SMART) will be deployed worldwide.</li></ul>



MANAGEMENT CONTROLS, SYSTEMS AND COMPLIANCE  
WITH LAWS AND REGULATIONS

FEDERAL MANAGERS’ FINANCIAL INTEGRITY ACT

The Federal Managers’ Financial Integrity Act (FMFIA) requires agencies to establish management control and financial systems that provide reasonable assurance that the integrity of federal programs and operations are protected. It also requires that the head of the agency, based on an evaluation, provide an annual Statement of Assurance on whether the agency has met this requirement.

The Secretary of State’s unqualified Statement of Assurance for FY 2003 is included in the Secretary’s letter at the beginning of this report. The Department evaluated its management control systems and financial management systems for the fiscal year ended September 30, 2003. This evaluation provided reasonable assurance that the objectives of the FMFIA were achieved in FY 2003, and formed the basis for the Secretary’s Statement of Assurance.

Management Control Program

The Management Control Steering Committee (MCSC) oversees the Department’s management control program. The MCSC is chaired by the Chief Financial Officer, and is composed of nine other Assistant Secretaries [including the Chief Information Officer and the Inspector General (non-voting)], the Deputy Chief Financial Officer, and the Deputy Legal Advisor. Individual assurance statements from Ambassadors assigned overseas and Assistant Secretaries in Washington, D.C. serve as the primary basis for the Department’s assurance that management controls are adequate or that material weaknesses exist. The assurance statements are based on information gathered from various sources including the managers’ personal knowledge of day-to-day operations and existing controls, management program reviews, and other management-initiated evaluations. In addition, the Office of the Inspector General and/or the General Accounting Office conduct reviews, audits, inspections, and investigations.

FMFIA MATERIAL WEAKNESS CRITERIA

- ◆ Significantly impairs the fulfillment of the Department’s mission.
- ◆ Deprives the public of needed services.
- ◆ Significantly weakens established safeguards against waste, loss, unauthorized use or misappropriation of funds, property, other assets, or conflicts of interest.
- ◆ Merits the attention of the Secretary, the President, or a relevant Congressional oversight committee.
- ◆ Is of a nature that omission from the report could reflect adversely on the Department’s management integrity.

To be considered a material weakness in management control systems for FMFIA reporting purposes, the problem should be significant enough that it meets one or more of the FMFIA material weakness criteria. The chart above describes the criteria that the Department uses for the FMFIA review.



Status of Management Controls

During the last five years, the Department made significant progress reducing the number of material weaknesses from 10 to zero with the addition of two new weaknesses and the closure of 12 weaknesses. In addition, there are no items specific to the Department on the General Accounting Office’s High Risk List, and there have not been any since 1995. The following tables show the Department’s progress during the past five years with correcting and closing material weaknesses.

NUMBER OF MATERIAL WEAKNESSES BY FISCAL YEAR				
Fiscal Year	Number at Beginning of Fiscal Year	Number Corrected	Number Added	Number Remaining at End of Fiscal Year
1999	10	7	-	3
2000	3	2	2 *	3
2001	3	-	-	3
2002	3	3	-	0
2003	0	-	-	0
* Reported by the Department of State as a result of the merger with the United States Information Agency.				

Status of Financial Systems

For financial systems, the MCSC voted to close in FY 2003 the Department’s one remaining material nonconformance - Financial and Accounting Systems. This is the first time since the inception of the FMFIA that the Department has no open material nonconformances – a significant accomplishment. A summary of actions taken to correct and close the one previously reported material nonconformance is provided in the table below.

SUMMARY OF FMFIA MATERIAL NONCONFORMANCE CLOSED IN FY 2003		
Material Nonconformance	Corrective Actions	Strategic Goal
<p><b>Financial and Accounting Systems</b></p> <p>In 1983, the Department identified substantial weaknesses in its financial management systems. When first reported, the Department was burdened with managing six financial management systems worldwide, which support its domestic bureaus, overseas posts, and other overseas agencies. The financial management systems’ nonconformance includes the following five weaknesses: deficiencies in data quality, noncompliance with JFMIP core requirements, ineffective interfaces, inadequate documentation and audit trails, and inadequate support of mission performance.</p>	<p>Significant progress has been made over the past few years to improve financial management systems worldwide. The Department has reduced the number of financial management systems from six to two; reduced the number of post-level financial systems from nine to two; and, re-centralized disbursing offices from 22 to two. Implementation of the new Regional Financial Management System (RFMS) was completed September 2003 and is operational in all overseas posts. The reengineered overseas interface is operational, providing detailed (transaction level) information. Continuity of Operations Plans have been developed for Financial Service Centers in Charleston, SC and Bangkok and for Washington headquarters operations.</p>	<p>Management and Organizational Excellence</p>



FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The Federal Financial Management Improvement Act of 1996 (FFMIA) is designed to improve Federal financial management by requiring that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. Under FFMIA, agencies’ financial management systems must comply substantially with three requirements: (1) Federal financial management system requirements; (2) applicable Federal accounting standards and (3) the U.S. Government Standard General Ledger (SGL). FFMIA also requires that the Independent Auditor’s Report indicate whether the agency’s financial management systems comply with these requirements.

Since enactment, the Department’s financial management systems have not been in substantial compliance with FFMIA. As required by the law, the Department, in consultation with OMB, developed a remediation plan (the Plan) that, if properly implemented, would result in substantial compliance with FFMIA and improved financial management systems. The Department has made significant progress implementing the Plan. To date, eleven of the twelve initiatives included in the Plan are complete and the twelfth initiative is substantially complete. This progress, along with other information such as the independent auditor’s report, is evaluated when making a determination about whether the Department’s financial management systems substantially comply with FFMIA. The Department’s determination is included in the Assistant Secretary and Chief Financial Officer’s message at the beginning of this report. The table below provides a summary of the three Plan initiatives that were completed on schedule during FY 2003.

PLAN INITIATIVES COMPLETED IN FY 2003		
Initiatives	Strategic Goal	Description
Regional Financial Management System (RFMS)	Management and Organizational Excellence	RFMS supports State’s goal to establish and maintain a single, integrated financial management system. RFMS (1) replaces and reduces the number of overseas regional systems from two to one; (2) incorporates State’s standard account code structure, and (3) standardizes financial transactions between RFMS and CFMS, which will result in consistent processing and recording of financial data worldwide.
Business Continuity Plans	Management and Organizational Excellence	State must always be prepared to deal with a broad range of crises, ranging from natural disasters to political instability to terrorist attacks. Financial processes and financial management systems must be safeguarded should any of our business centers be faced with a crisis.
Central Financial Planning System (CFPS) Statement of Net Cost Module	Management and Organizational Excellence	As presented in the Department’s updated FY 2004 OMB Exhibit-300 business case, CFPS is the implementation of five distinct modules that together enable more timely and accurate reporting on linking spending, costs, and budgeted resources to performance information. Specific to improving financial management systems and performance, the CFPS Statement of Net Cost Module provides the ability to: associate costs and revenues to strategic goal by organization; produce the Statement of Net Cost; and substantially comply with managerial cost accounting standards.

The table on the following page describes progress made on the twelfth initiative, which is substantially (but not entirely) complete. As of September 30, 2003, the independent auditor considered the Department’s corrective actions sufficiently advanced to reduce this previously reported material weakness in information systems security to a reportable condition.





PLAN INITIATIVE SUBSTANTIALLY COMPLETED IN FY 2003		
Initiative	Strategic Goal	Description
Information Systems Network Security	Management and Organizational Excellence	State is implementing a comprehensive framework and process for lifecycle management of IT security. The framework and process will provide continual evaluation and improvement. A significant portion of this initiative is now complete including the following: developed a Systems Security Program Plan; adopted the National Institute of Standard Technology (NIST) Certification and Accreditation Program (NISTCAP); established a Configuration Control Board; and implemented an ongoing Certification & Accreditation program.

GOVERNMENT MANAGEMENT REFORM ACT - AUDITED FINANCIAL STATEMENTS

The Government Management Reform Act (GMRA) of 1994 amended the requirements of the Chief Financial Officers (CFO) Act of 1990 by requiring an annual preparation and audit of agency-wide financial statements from the 24 major executive departments and agencies. The statements are to be audited by the Inspector General (IG), or an independent auditor at the direction of the IG. An audit report on the principal financial statements, internal controls, and compliance with laws and regulations is prepared after the audit is completed.

The Department’s 2003 financial statements received an unqualified opinion — the best possible result of the audit process. This year marks the seventh consecutive year that the Department’s financial statements have achieved such an opinion. The Department significantly accelerated the preparation and audit of its 2003 financial statements — about five weeks earlier than last year. This marks important progress towards our goal of providing more timely, accurate, and useful financial information.

In relation to internal control, the Independent Auditor’s Report cites four reportable conditions: (1) information systems security for networks in domestic operations, (2) inadequacy of the Department’s financial management systems, (3) management of unliquidated obligations, and (4) implementation of Managerial Cost Accounting Standards. Reportable conditions are significant deficiencies, though not material, in the design or operation of internal control that could adversely affect the Department’s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. For each year since 1997, the Independent Auditor’s report cited the first matter above relating to information systems security as a material weakness in internal control. The FY 2003 Independent Auditor’s Report acknowledges that the Department’s work towards correcting this deficiency is sufficiently advanced to reduce this weakness to a reportable condition. The Independent Auditor’s Report also states that the Department’s financial management systems are non-compliant with laws and regulations, including the FFMIA.

The table on the following page summarizes the weaknesses in internal control and compliance with laws and regulations cited in the FY 2003 Independent Auditor’s Report, as well as the actions taken to resolve the problems.



SUMMARY OF INDEPENDENT AUDITOR'S REPORT FINDINGS <sup>1</sup>	
Reportable Conditions	Corrective Actions
<p><b>Information System Network Security</b></p> <p>Information system networks for domestic operations are vulnerable to unauthorized access. Consequently, other systems, including the Department's financial management systems, which process data using these networks, may also be vulnerable. This weakness was first reported based on penetration tests performed by the General Accounting Office (GAO) and was also cited in the audit opinion on the 1997 financial statements. The auditor reported this matter as a material weakness in internal control each year since 1997. For 2003, the auditor considered the Department's corrective actions sufficiently advanced to reduce this deficiency to a reportable condition.</p>	<p>Over the past year, we have taken considerable measures to improve our cyber security posture, to include:</p> <ul style="list-style-type: none"><li>• Establishing a baseline inventory of applications</li><li>• Developing and implementing a systems/sites authorization project and meeting the first goal of authorizing one-third of systems by August 2003</li><li>• Developing and Implementing a Department-wide process to track corrective action in mitigating security weaknesses</li><li>• Completing the Information Assurance role-based curriculum with the addition of courses for managers at different levels and a web-based security awareness briefing</li><li>• Revising Department cyber security roles and responsibilities, and developing a draft cyber security program management plan</li><li>• Maintaining a strong perimeter defense and incident response</li></ul> <p>In FY 2004, the Department plans to complete the authorization of the remaining two-thirds of the systems.</p>
<p><b>Management of Unliquidated Obligations</b></p> <p>The Department's internal control process related to managing undelivered orders is inadequate. It lacks a structured process for reconciling and deobligating funds in a timely manner, which may result in the loss of those funds.</p>	<p>As mentioned in the Independent Auditor's Report, the Department has made significant improvements in this area. The Unliquidated Obligation System was implemented in 2000. The system is updated periodically for detailed unliquidated obligation data and facilitates the reconciliation, monitoring, reporting and oversight of unliquidated obligations worldwide. Data in the system is analyzed to facilitate the review and management of open items. For example, in 2001, instructions and reports were issued to offices to review over \$2.9 billion in unliquidated obligations. We continue to develop reports and procedures to improve the management of unliquidated obligations.</p>
<p><b>Compliance with Managerial Cost Accounting Standards</b></p> <p>While the Department complies with certain aspects of the Statement of Federal Financial Accounting Standards #4, it does not have an effective process to routinely collect managerial cost accounting information, establish outputs for each responsibility segment, or allocate all support costs.</p>	<p>The Department is making progress in implementing Management Cost Accounting Standards (MCAS). To address MCAS requirements the Department developed a Statement of Net Cost methodology (described in our FFMA section of this report) that will enable timely and accurate reporting of cost information by responsibility segment and strategic goal.</p>
<p><b>Financial and Accounting Systems</b></p> <p>In 1983, the Department identified serious weaknesses in its financial management systems. When first reported, the Department was burdened with overseeing six financial management systems that support its domestic bureaus, overseas posts and other overseas agencies. The financial management systems nonconformance includes the following five weaknesses: deficiencies in data quality; noncompliance with JFMIP core requirements; ineffective interfaces; inadequate documentation and audit trails; and inadequate support of mission performance.</p>	<p>Significant progress has been made over the past few years to improve financial management systems worldwide. The Department has reduced the number of financial systems from six to two; decreased the number of post-level financial systems from nine to two; and re-centralized disbursing offices from 22 to two. Implementation of the new Regional Financial Management System (RFMS) was completed September 2003 and is operational in all overseas posts. The reengineered overseas interface is operational, providing detailed (transaction level) information. Continuity of Operations Plans have been developed for Financial Service Centers in Charleston, SC and Bangkok and for Washington headquarters operations. The Department will continue its ongoing effort to enhance its financial systems in FY 2004.</p>
Noncompliance with Laws and Regulations	Corrective Actions
<p><b>Financial and Accounting Systems</b></p> <p>See discussion above.</p>	<p>See description above.</p>

<sup>1</sup> Target date for correcting these reportable conditions is FY 2004. All issues relate to the Management and Organizational Excellence strategic goal.





# FINANCIAL SECTION

FISCAL YEAR 2003 PERFORMANCE AND ACCOUNTABILITY REPORT

FINANCIAL HIGHLIGHTS

The Department’s financial statements received for the seventh straight year an unqualified audit opinion issued by the independent accounting firm of Leonard G. Birnbaum and Company, LLP. Preparing these statements is part of the Department’s goal to improve financial management and to provide accurate and reliable information useful for assessing performance and allocating resources. Department management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

(Dollars In Thousands)	% Change	2003	2002	
<b>At End of Year:</b>				
<b>Condensed Balance Sheet Data:</b>				
Investments, Net	+5%	\$ 12,301,173	\$ 11,750,737	<b>Total Assets</b> 
Fund Balances With Treasury	+11%	9,953,197	8,937,139	
Property and Equipment, Net	+9%	5,996,493	5,499,850	
Other	-1%	643,783	652,431	
<b>Total Assets</b>	<b>+8%</b>	<b>\$ 28,894,646</b>	<b>\$ 26,840,157</b>	
Foreign Service Retirement Actuarial <sup>1</sup>	+7%	\$ 13,093,800	\$ 12,211,800	<b>Total Liabilities</b> 
Liability to International Organizations	-14%	919,428	1,065,172	
Other	+14%	1,767,908	1,547,431	
<b>Total Liabilities</b>	<b>+6%</b>	<b>15,781,136</b>	<b>14,824,403</b>	
Unexpended Appropriations	+19%	8,536,307	7,154,023	<b>Total Net Position</b> 
Cumulative Results of Operations	-6%	4,577,203	4,861,731	
<b>Total Net Position</b>	<b>+9%</b>	<b>13,113,510</b>	<b>12,015,754</b>	
<b>Total Liabilities and Net Position</b>	<b>+8%</b>	<b>\$ 28,894,646</b>	<b>\$ 26,840,157</b>	
<b>For the Year:</b>				
<b>Condensed Statement of Net Cost:</b>				
Achieve Peace and Security	-2%	\$ 3,176,918	\$ 3,256,937	<b>Total Net Cost of Operations</b> 
Advance Sustainable Development and Global Interests	+18%	2,479,256	2,093,813	
Promote International Understanding	-15%	1,352,929	1,596,964	
Executive Direction and Other Costs				
Not Assigned	+47%	2,050,514	1,391,025	
<b>Total Net Cost of Operations</b>	<b>+9%</b>	<b>\$ 9,059,617</b>	<b>\$ 8,338,739</b>	
Total Cost	+13%	\$ 12,222,640	\$ 10,837,835	
Total Earned Revenue	+27%	(3,163,023)	(2,499,096)	
<b>Total Net Cost of Operations</b>	<b>+9%</b>	<b>\$ 9,059,617</b>	<b>\$ 8,338,739</b>	

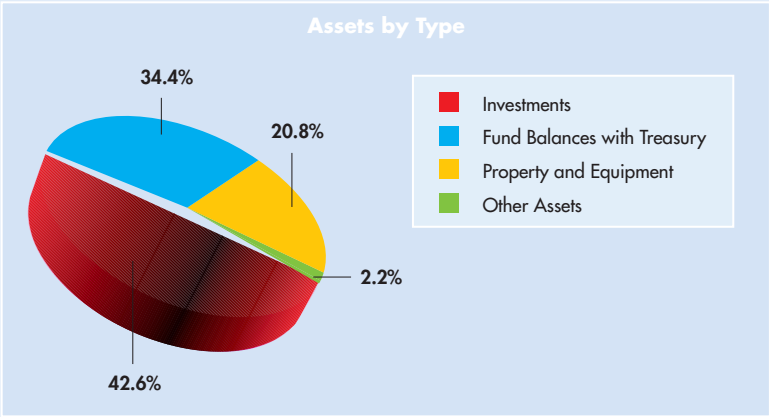
<sup>1</sup> The Department administers the operations of the Foreign Service Retirement and Disability Fund. This Fund provides annuities to retired members of the Foreign Service (or their survivors).





OVERVIEW OF FINANCIAL POSITION

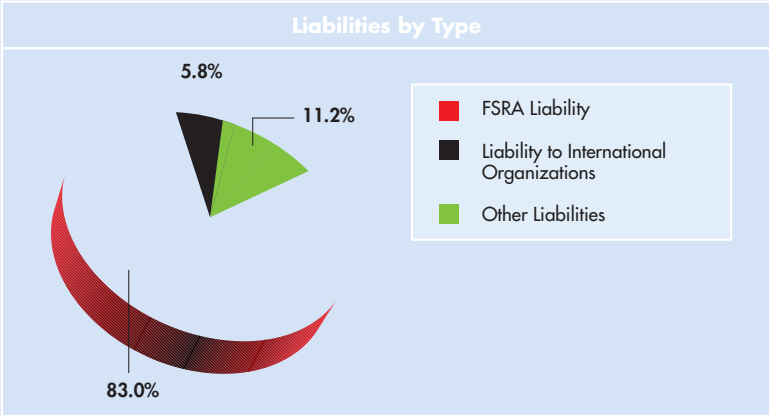
**Assets.** The Department had total assets of \$28.9 billion at the end of 2003. This represents an increase of \$2.1 billion (7.8%) over the previous year's total assets of \$26.8 billion. The increase is primarily the result of increases of \$1.0 billion in Fund Balances with Treasury, \$496.6 million in property and equipment, and \$550.4 million in investments in the Foreign Service Retirement and Disability Fund (FSRDF). The increase in Fund Balances with Treasury primarily resulted from a \$1.4 billion increase in unexpended appropriations.



Investments, Fund Balances with Treasury and Property and Equipment comprise 98% of total assets for 2003, 2002, and 2001. Investments consist almost entirely of U.S. Government Securities held in the FSRDF.

**Liabilities.** The Department had total liabilities of \$15.8 billion at the end of 2003.

The Foreign Service Retirement Actuarial (FSRA) Liability of \$13.1 billion and the Liability to International Organizations of \$919.4 million comprise 89% of the Department's total liabilities at the end of 2003.



Of the total liabilities, \$1.96 billion were unfunded, i.e., budgetary resources were not available to cover these liabilities. The \$1.96 billion is primarily comprised of the \$919.4 million Liability to International Organizations, and the unfunded portion of the FSRA Liability of \$653.8 million, which represents the amount by which the \$13.1 billion FSRA Liability exceeds the FSRDF's net assets available to pay the liability. The \$653.8 million unfunded portion of the FSRA Liability is \$329.1 million more than the \$324.7 million unfunded FSRA Liability at the end of 2002.

The \$919.4 million Liability to International Organizations consists of \$869.2 million in calendar year 2003 annual assessments, and \$50.2 million in accumulated arrears assessed by the UN, its affiliated agencies and other international organizations. These financial commitments mature into obligations only when funds are authorized and appropriated by Congress.

As of September 30, 2003, a total of \$926 million had been appropriated by Congress for payment of U.S. arrearages. These amounts, however, were made available subject to certifications by the Secretary of State that certain legislative requirements were met. A payment of \$100 million in arrearages was made in FY 2000; a payment of \$475 million and a credit of \$107 million were made in FY 2002; and payments totaling \$242 million were made in FY 2003. Thus, \$2 million of appropriations for arrearage payments remain.

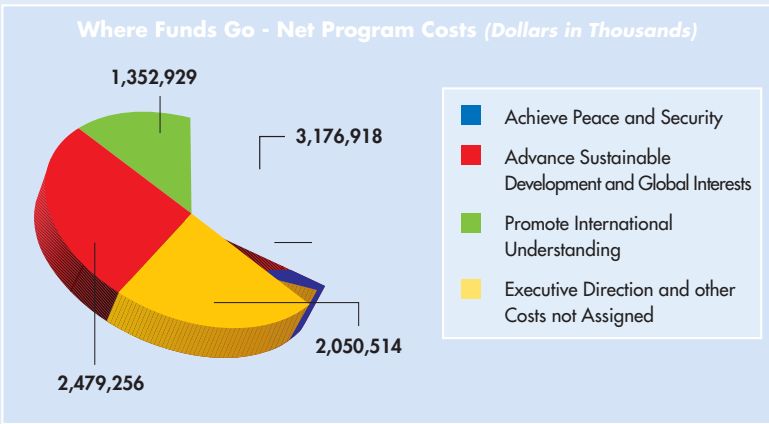


**Ending Net Position.** The Department’s Net Position at the end of 2003 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$13.1 billion, a \$1.1 billion (9.1%) increase from the previous fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

The growth in Unexpended Appropriations was due principally to the continued increase in budget authority received to rebuild the Department’s diplomatic platform.

The decrease in Cumulative Results of Operations resulted mainly from the \$329.1 million increase during 2003 in the unfunded portion of the FSRA Liability described on the previous page. This increase resulted from a change in economic assumptions used for valuing the FSRDF plan for consistency with similar Federal plans.

RESULTS OF OPERATIONS



The Department’s total net cost of operations for 2003, after intra-departmental eliminations, was \$9.1 billion. The strategic objective to “Achieve Peace and Security” represents the largest investment for the Department at 35.1% of the Department’s net cost of operations. The net cost of operations for the remaining strategic objectives varies from 14.9% to 27.4%.

BUDGETARY ISSUES

The FY 2003 Department of State's budget of \$7.660 billion included the appropriations that finance the administration of foreign affairs (\$6.002 billion); contributions to international organizations and activities (\$1.530 billion); international commissions (\$57 million); and other related appropriations (\$71 million). Two foreign assistance accounts authorized in the State act were also funded (\$867 million). The administration of foreign affairs appropriations primarily funds the operating budgets of the Department of State. These appropriations fund the basic platform for conducting the U.S. Government's diplomatic activities around the world as well as building and maintaining the infrastructure that supports most U.S. Government operations overseas. In addition, the Department continues to rely on Machine Readable Visa (MRV), Expedited Passport, and other user fee collections to enhance the nation's border security and help meet consular workload demands, and to invest in modern, responsive information technology systems. These resources are essential to accomplishing two overriding objectives of the President's foreign policy: to win the war on terrorism and to protect Americans at home and abroad.

For our major operating appropriation - Diplomatic and Consular Programs (D&CP) - the Department was funded at \$3.911 billion and included the second year of a multi-year Diplomatic Readiness Initiative (DRI) strategy to recruit, hire, train, and deploy additional professionals around the world. The appropriation and transfers, along with increases in MRV fee spending, also supported hiring 584 new employees (above anticipated attrition) including 399 new diplomatic readiness positions, 51 new consular positions to address border security workload increases, and 134 new security professionals. With increased D&CP funding, the Department funded programs to create a work environment to attract and retain talent within a highly competitive economy.



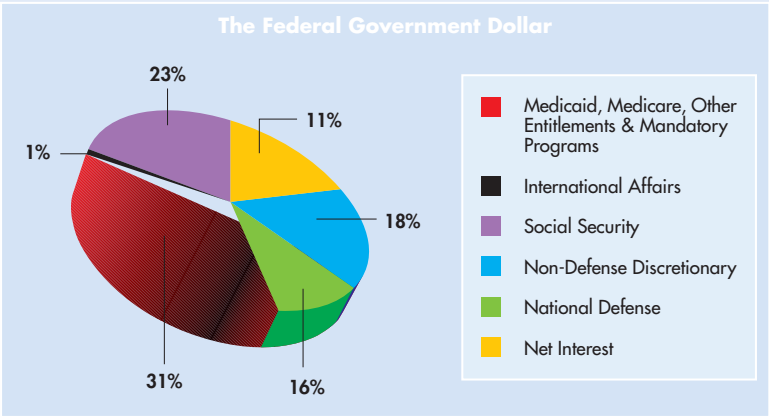
The Department's FY 2003 funding included \$1.405 billion for Embassy Security, Construction and Maintenance to manage the Department's real property assets and provide U.S. diplomatic and consular missions with secure, safe, and functional facilities. This funding included \$750 million for security capital construction and compound security projects and \$505 million for ongoing operations. The Department also received \$559 million for Worldwide Security Upgrades within the Diplomatic and Consular Programs appropriations (including \$10 million from the Emergency Wartime Supplemental Act) to complete the perimeter security enhancement program begun under the 1999 Emergency

Supplemental Appropriation, to improve technical, counterintelligence and domestic security programs, and to fund the 134 new security professionals. This funding also sustains security programs begun with the FY 1999 emergency supplemental such as worldwide guard protection, physical security equipment and technical support, information/systems security, and personnel and training.

The Department's FY 2003 funding for the Capital Investment Fund included \$182 million to provide modern information technology to every Department employee, including secure access to the Internet for all of our employees and modern classified systems. This included funding for completion of the OpenNet Plus initiative, which provided complete web access for all State desktops in May 2003. This funding also went to the Department's goal of providing classified connectivity and email to every eligible post by FY 2004, thereby laying the foundation for modernizing our outmoded cable system.

The Department's FY 2004 budget request [at this date still pending before the Congress] continues to support the Department's priorities to support the War on Terrorism and build diplomatic readiness. The request includes \$1.5 billion for enhanced security and the War on Terrorism, including \$861 million to design and/or construct secure facilities, additional site acquisition, and compound security projects; and \$647 million to upgrade worldwide security readiness including increased guard protection, chem/bio defense, and facility protection measures.

The request also includes funding to support hiring 552 additional Americans including 85 security professionals and support staff; 399 new hires to meet the highest priority diplomatic readiness staffing needs; and 68 new consular positions to enhance Border Security and ensure the security of U.S. visas and passports. The Department's request of \$157 million for the Capital Investment Fund allows for continued investment in state-of-the-art IT systems worldwide, including extending classified connectivity to every post requiring it.



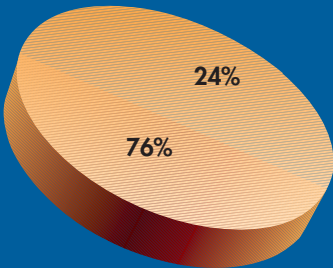
America's Best Guesses		
Public Estimates on Foreign Policy Issues		
Topic	U.S. Perception	Reality
Percentage of U.S. Budget going to foreign aid	20 percent	Less than 1 percent
Reproduced with permission from FOREIGN POLICY # 126 (September/October 2001). Copyright 2001 by the Carnegie Endowment for International Peace.		



RESOURCE HIGHLIGHTS

FY 2003 Funding  
Total: \$31.3 Billion

FY 2003 Enacted Levels  
Total: \$31.3 billion



- State Appropriations
- Foreign Operations

FY 2003 State Appropriations: \$7.6 billion

Appropriations for the Department of State fund the key components of the Department's operations and infrastructure, as well as U.S. engagement abroad through public diplomacy and international organizations.

Major Expenditure Categories

◆ Administration of Foreign Affairs and Other Appropriations: \$6.1 billion

- Diplomatic and consular programs, public diplomacy, information technology investment, embassy security, construction and maintenance, educational and cultural exchanges, international commissions, and diplomatic activities.

◆ International Organizations: \$1.5 billion

- Contributions to international organizations including assessed contributions to the UN and other international organizations and the U.S. share of expenses for UN peacekeeping operations.

FY 2003 Foreign Operations: \$23.7 billion

Foreign Operations programs promote U.S. foreign policy interests that advance the global fight against terrorism; provide economic, military, and democracy assistance to key foreign partners and allies; promote international peace and prosperity; curb the spread of weapons of mass destruction; interdict drugs; and provide health and humanitarian assistance.

There are several categories of Foreign Operations funds that contribute to the achievement of the foreign policy goals of the U.S. Some Foreign Operations resources are administered by the Department and others by other agencies. In addition, the Department provides foreign policy guidance to certain other agencies whose resources are part of international affairs resources (Function 150).

Programs for Foreign Operations fall within four areas:

◆ Export and Investment Assistance: \$369 million

- Funding for the Export-Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency. Funding sustains and increases jobs in the United States by financing the exports of U.S. goods and services and by providing U.S. companies with project financing and funding for feasibility studies to level the international playing field for U.S. businesses operating overseas.

◆ Bilateral Economic Assistance: \$15.4 billion

- Funding for humanitarian and disaster assistance programs, including demining, refugee, and migration assistance, and programs that support famine, natural disasters, and other unanticipated occurrences.
- Funding for programs that provide development and economic assistance to U.S. allies and funding to support child survival and health concerns, such as HIV/AIDS, and other infectious diseases.
- Funding for anti-terrorism and counterdrug programs.

◆ Military Assistance: \$6.4 billion

- Funding for the improvement of the capabilities of U.S. allies for the defense capabilities by financing the procurement of U.S. materiel and services, including the training of about 10,000 foreign military and civilian personnel in U.S. schools annually.

◆ Multilateral Assistance: \$1.5 billion

- Funding for contributions to multilateral development banks; debt restructuring; and contributions to international organizations for sustainable development efforts to protect the environment, human rights, democracy, and the rule of law.







# APPENDICES

FISCAL YEAR 2003 PERFORMANCE AND ACCOUNTABILITY REPORT

DIRECTORY OF KEY OFFICIALS AND  
SENIOR MANAGEMENT

**Colin L. Powell** – Secretary of State

**Richard L. Armitage** – Deputy Secretary of State

**John D. Negroponte** – United States Permanent Representative to the United Nations

Arms Control and International Security Affairs

**John R. Bolton** - *Under Secretary*

- Bureau of Arms Control – *Stephen G. Rademaker*
- Bureau of Political-Military Affairs – *Lincoln P. Bloomfield, Jr.*
- Bureau of Non-Proliferation – *John Stern Wolf*
- Bureau of Verification and Compliance – *Paula A. DeSutter*

Economic, Business and Agricultural Affairs

**Alan P. Larson** - *Under Secretary*

- Bureau of Economic and Business Affairs – *E. Anthony Wayne*

Global Affairs

**Paula J. Dobriansky** - *Under Secretary*

- Bureau of Democracy, Human Rights and Labor – *Lorne W. Craner*
- Bureau of International Narcotics and Law Enforcement – *Robert B. Charles*
- Bureau of Oceans and Environmental and Scientific Affairs – *John F. Turner*
- Bureau of Population, Refugees and Migration – *Arthur E. Dewey*

Management

**Grant S. Green** - *Under Secretary*

- Director General of Foreign Service and Director of Personnel – *W. Robert Pearson*
- Bureau of Administration – *William A. Eaton*
- Bureau of Consular Affairs – *Maura Harty*
- Bureau of Diplomatic Security – *Francis X. Taylor*
- Overseas Buildings Operations – *Charles E. Williams*
- Bureau of Information Resource Management, Chief Information Officer – *Bruce Morrison, Acting*
- Foreign Service Institute – *Katherine H. Peterson*

Political Affairs

**Marc Grossman** - *Under Secretary*

- Bureau of African Affairs – *Charles R. Snyder, Acting*
- Bureau of East Asian and Pacific Affairs – *James A. Kelly*
- Bureau of European and Eurasian Affairs – *A. Elizabeth Jones*
- Bureau of Near Eastern Affairs - *William J. Burns*
- Bureau of South Asian Affairs – *Christina B. Rocca*
- Bureau of Western Hemisphere Affairs – *Roger F. Noriega*
- Bureau of International Organizational Affairs – *Kim R. Holmes*

Public Diplomacy and Public Affairs

**Margaret Tutwiler** - *Under Secretary*

- Bureau of Public Affairs – *Richard A. Boucher*
- Bureau of Educational and Cultural Affairs – *Patricia De Stacy Harrison*
- Office of International Information Programs – *Stuart Holliday*

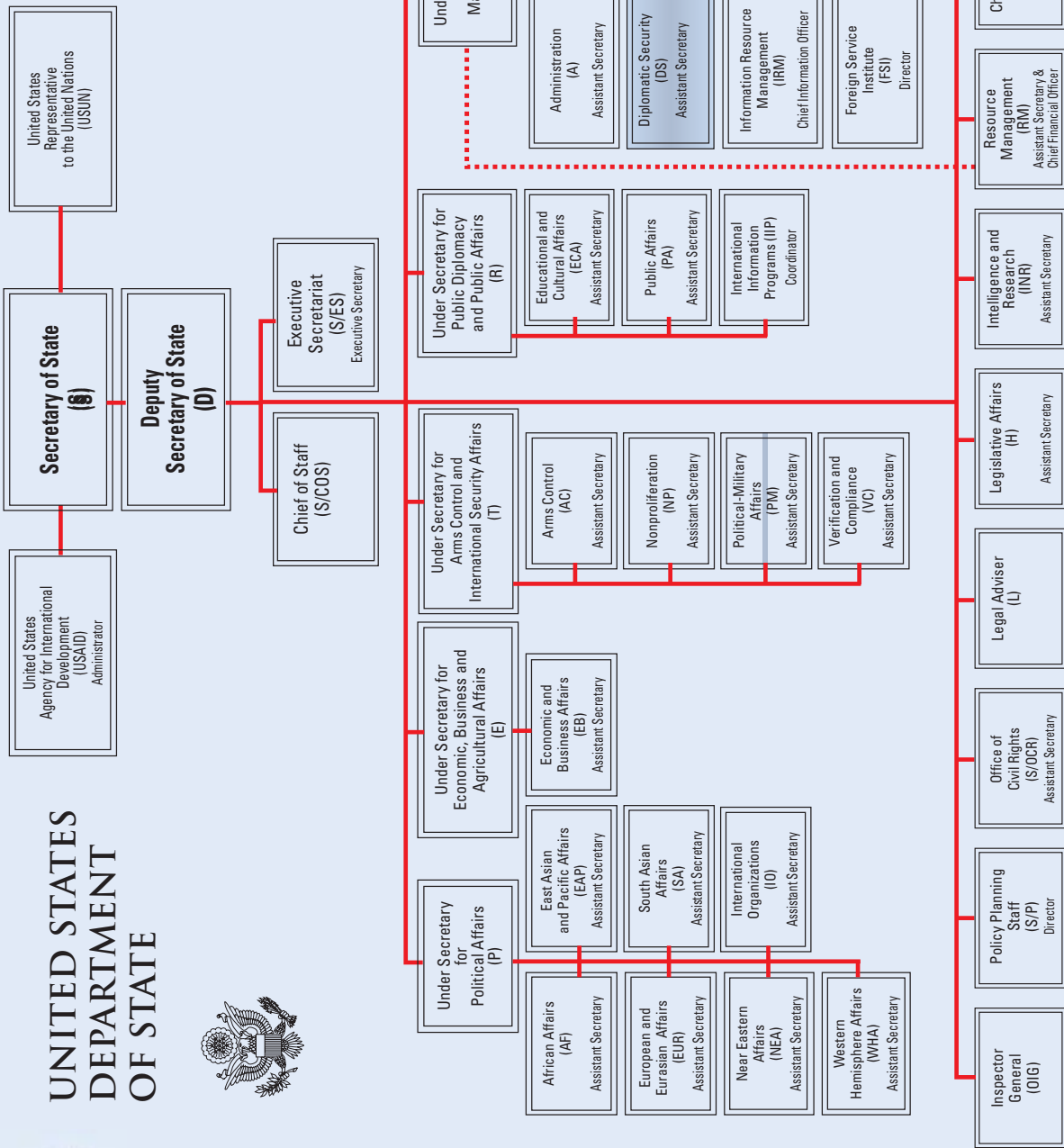
Other Senior Officials

- Chief of Staff – *Larry Wilkerson*
- Executive Secretariat – *Karl W. Hofmann*
- Office of Policy Planning – *Mitchell B. Reiss*
- Chief Financial Officer – *Christopher B. Burnham*
- Legal Adviser – *William H. Taft, IV*
- Inspector General – *Anne W. Patterson, Acting*
- Office of Civil Rights – *Barbara S. Pope*
- Bureau of Legislative Affairs – *Paul V. Kelly*
- Bureau of Intelligence and Research – *Charles T. Fingar, Acting*
- Office of Protocol – *Donald B. Ensenat*
- Coordinator for Counterterrorism – *J. Cofer Black*
- Office of War Crimes Issues – *Pierre R. Prosper*
- Counselor – *Vacant*





# UNITED STATES DEPARTMENT OF STATE





# Department of State Locations

- ★ Embassy
- Other Diplomatic Post
- ▲ Consular Agency
- Passport Center

Cities with more than one Department of State mission

**Brussels:**  
Embassy Brussels  
US Mission to European Union  
US Mission to NATO

**Kinshasa:**  
Embassy Kinshasa  
Embassy Brazzaville

**Montreal:**  
Consulate General Montreal

**Nairobi:**  
US Mission to ICAD

**Neirobi:**  
Embassy Nairobi  
US Mission to UNEP

**New York:**  
US Mission to UN  
New York Passport Agency

**Rome:**  
Embassy Rome  
Embassy Holy See  
US Mission to FAO

**Vienna:**  
Embassy Vienna  
US Mission to OSCE  
US Mission to Int. Organizations  
Department of State  
US Mission to OAS  
Washington Passport Office

**Pacific:**  
Embassy Paris  
US Mission to OECD  
US Observer Mission to UNESCO

Boundary representation is not necessarily authoritative.

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MILESTONES OF AMERICAN DIPLOMACY

- 1778:** Treaty of Alliance with France, engineered by Benjamin Franklin, enabled the fledgling republic to continue its struggle for independence.
- 1783:** Treaty of Paris-Great Britain recognized American independence and control over western lands as far as the Mississippi.
- 1803:** Louisiana Purchase removed foreign control of Mississippi's mouth and doubled U.S. territory.
- 1819:** Adams-Onís Treaty with Spain, transferring Florida, extended the U.S. to present boundaries in southeast.
- 1823:** Monroe Doctrine established U.S. policy of opposing European intervention or new colonization in Western Hemisphere.
- 1846:** Oregon Treaty with Great Britain extended U.S. sole dominion to the Pacific.
- 1848:** Treaty of Guadalupe-Hidalgo, ending 1846-48 war with Mexico, confirmed U.S. claim to Texas and completed U.S. expansion to Pacific.
- 1867:** Alaska purchase ended Russian territorial presence and completed U.S. expansion on North American mainland.
- 1918:** Allies and Germany accepted Wilson's 14 points as basis for just and lasting peace ending World War I.
- 1945:** U. S. and 50 other countries founded the United Nations.
- 1947:** Truman Doctrine asserted U.S. policy of containing Soviet expansion through economic and military aid to threatened countries.
- 1947:** Marshall plan of aid to Europe set foundation for economic cooperation among industrial democracies.
- 1948:** Ninth International Conference of American States created the Organization of American States (OAS) to intensify U.S. and Latin American collaboration in all fields.
- 1948:** NATO, first U.S. alliance concluded in peacetime, provided integrated force for defense of Western Europe and North America.
- 1963:** Limited Nuclear Test Ban Treaty, first major-power agreement regulating atomic weapons testing, banned explosions in the atmosphere, in outer space and under water.
- 1967:** Non-Proliferation Treaty, now signed by 110 governments, banned the spread of atomic weapons.
- 1972:** Strategic Arms Limitation Talks (SALT) agreements with U.S.S.R. prescribed mutual limitations on defensive and offensive weapons and established SALT as a continuing process.
- 1972:** President Nixon's February visit to China followed Secretary Kissinger's earlier negotiations in Peking, marking first important step in the process of normalizing relations with the People's Republic of China.
- 1979:** U.S. established diplomatic relations with the People's Republic of China ending 30 years of nonrecognition.
- 1979:** Israel-Egypt Peace Treaty (Camp David Accords) ended 30 years of conflict between the two countries and provided possible framework for comprehensive peace in the Middle East.
- 1986:** The U.S. Congress implemented strong economic sanctions against South Africa, which helped to bring an end to apartheid in 1991.
- 1989-1991:** As President George H.W. Bush stated a desire to integrate the Soviet Union into the community of nations, the Cold War ended when communist regimes collapsed across Eastern Europe and the Soviet Union disintegrated.
- 1990-1991:** In response to the Iraqi invasion of Kuwait, the United States built an international coalition to defend Saudi Arabia and, after United Nations approval, to eject Iraq from Kuwait through Operation Desert Storm.
- 1994:** The North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico took effect and the United States joined another structure that promoted global free trade, the World Trade Organization.
- 1995:** The General Framework Agreement for Peace in Bosnia and Herzegovina ended the Bosnian civil war by providing for NATO troops to serve as peacekeepers.
- 2001:** The United States led a global coalition that fought a war against terrorism in the wake of the September 11 terrorist attacks in New York and Washington D.C.
- 2003:** After Iraq's repeated refusals to comply with UN resolutions, the United States led a coalition to depose the regime of Saddam Hussein.





This *Performance and Accountability Highlights* provides an overview of the “most important” performance and financial information published in the Department of State’s *Performance and Accountability Report for Fiscal Year 2003*. The *Performance and Accountability Highlights* and *Performance and Accountability Report for Fiscal Year 2003* provide information that enables the public, Congress, and the President the ability to assess the performance of the Department relative to its mission and for stewardship of the resources entrusted to it.

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**P H O T O   C A P T I O N S**

**PAGE 12:** *Deputy Secretary of State Richard Armitage, left, and Indian Prime Minister Atal Behari Vajpayee gesture during talks in New Delhi, India. Armitage held talks with Indian leaders to encourage the unfolding peace initiative between nuclear-armed India and Pakistan. © AP Photo/Ajit Kumar*

**PAGE 13:** *Dr. Vladimir Smirnov, General Director of Russian energy company TENEX, speaks at a Washington news conference to announce a milestone in the effort to reduce the threat of nuclear proliferation through the elimination of weapons-grade uranium, and its transformation into electricity-producing fuel. Sen. Richard Lugar, R-Ind., looks on at right. © AP Photo/John Harrington*

**PAGE 15:** *Members of the Ugandan Watoto Children's Choir, who are orphans of AIDS victims, perform for President Bush at the AIDS Support Organization Center (TASO) in Entebbe, Uganda. President Bush wants Uganda's journey out of the dark scourge of AIDS to serve as a model for his \$15 billion global initiative to contain the pandemic. © AP Photo/J. Scott Applewhite*

**PAGE 16:** *The new American Embassy in Dar-es-Salaam, Tanzania, was completed in January 2003, and replaces the former embassy that was destroyed in the 1998 terrorist bombing. The design and construction of this new embassy incorporate the newest safety technology to ensure the security of embassy personnel. Department of State Photo*



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